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NEWS SUMMARY

GENERAL

Death hits rugby match

Leeds player Chris Sanderson, 21, died in hospital shortly after being injured in a Rugby League first division game at Salford yesterday.

He was carried off in the eighth minute after going down away from the play. York referee A. W. Allen abandoned the game at half-time, when it was learned that Sanderson had died, with Leeds 5—2 ahead.

Though Sanderson was not a regular Leeds first team player, he had a good chance of appearing in next month's Rugby League cup final against Widnes at Wembley.

Mail-Express option clause may be agreed

Negotiations for the sale of the Evening Standard to Associated Newspapers are believed to include a five-year option clause which would allow a merger of the Daily Mail and Daily Express. The Evening Standard would merge with the Evening News, under a new title. The terms are expected to stop Beaverbrook from making its spare printing capacity available for another London evening paper. Back Page

Jubilee appeal to hooligans

Launching the Queen's Silver Jubilee Appeal Fund yesterday, Prince Charles gave football hooligans and other youngsters a new goal. He suggested they use their "pent-up energy and enthusiasm" to devise adventure projects on which the money could be spent.

Ex-MP dies

Mr. Geoffrey Bing, QC, a former Labour MP for Hornchurch, who served as Attorney-General to President Nkrumah of Ghana from 1957 to 1961, has died in London, aged 67.

County campaign

The Conservatives are fielding a record 3,300 candidates in the county elections on May 5, according to Mr. Michael Heseltine, Shadow Environment Secretary. Scottish devolution policies, Page 6

£40,000 haul

Dump campaign (disposal of unused medical preparations) organised last month by the Lanarkshire Health Board resulted in two tons of medicines, worth £40,000, being handed in at chemists.

Curran is sorry

Mrs. Mary Whitehouse, secretary of the National Viewers' and Listeners' Association, claimed that Sir Charles Curran, director-general of the BBC, had written to express regret that Gotcha, in the Play for To-day series, was "excessive in its use of language."

Rome protest ban

The Italian Government banned all public demonstrations in Rome until the end of next month and indicated that police would open fire on student demonstrators using weapons. Page 4

Briefly...

Strong favourite Blushing Groom, owned by the Aga Khan, won the French 2,000 Guineas by three lengths. To-day's Racing, Page 2

Emergency tips will be opened in Liverpool to-day where refuse has been building up because of a 12-day unofficial strike by dustmen and street sweepers.

Mr. Robert McNamara, president of the World Bank since 1968, has been appointed to a third five-year term from April 1978.

Dr. Henry Kissinger who has been attending the Bilderberg conference at Torquay, is to see the Prime Minister in the next few days.

BUSINESS

Grocery prices rise 1% in April

● THE FT Grocery Prices Index rose 1.03 per cent. in April, an increase of 16.4 per cent. over 12 months.

The non-food sector went up by a disproportionate 3.53 per cent., mainly as a result of increases in the price of washing powders. Page 40. The president of the Institute of Grocery Distribution predicted at the institute's annual convention in Brighton that food prices were likely to continue rising at a double-figure percentage rate at least until the end of the year.

Consumers are more confident about their future prospects in the latest FT Survey of Consumer Confidence. But they felt worse hit by inflation and were less enthusiastic about making major purchases for the house. Page 40

● PRUDENTIAL Assurance, the U.K.'s largest financial institution, holds stakes of 5 per cent. and above in more than 230 quoted companies. The total value of these holdings is currently in excess of £400m., it has been revealed because of the Companies Act 1976. Back Page

GEC to control power merger

● GOVERNMENT will announce shortly that the GEC is to run a merged power engineering company which will absorb C. A. Parsons' turbine generator interests. Back Page

● HOOVER says it may be prepared to go ahead with a multi-million pound expansion at Cambuslang in Scotland provided it has union assurances that improvements in industrial relations will be maintained. Back Page

● NATIONAL Savings net inflow in the year to March 26 is estimated at a record £694.3m., compared with £360.9m. in the previous year. The main reason for the increase was the success of the 16th Issue of National Savings Certificates, which was on offer for a limited period to the end of March. Page 6

● U.K. AEROSPACE industry is facing serious problems, with export figures for new aircraft in the first two months of the year showing a decline. Feature, Page 3

● BARCLAYS Bank International, which has been blacklisted by Kuwait and Saudi Arabia, has been asked to dispose of its business in the United Arab Emirates.

Carter 'needs 600 N-reactors'

● PRESIDENT Carter's policy of energy independence implied building 600 more nuclear reactors in the U.S. by the end of the century, a Congressman said. Page 4

● EEC Agriculture Ministers meet to-day in Luxembourg and are likely to agree on average farm price increases of 3½ per cent., together with a butter subsidy for U.K. consumers and a devaluation of the green pound. Page 4

● SONATRACH, the Algerian national oil and gas company, has cancelled a contract with Pritchard-Rhodes. The company will make 80 people redundant by the end of the year. Page 5

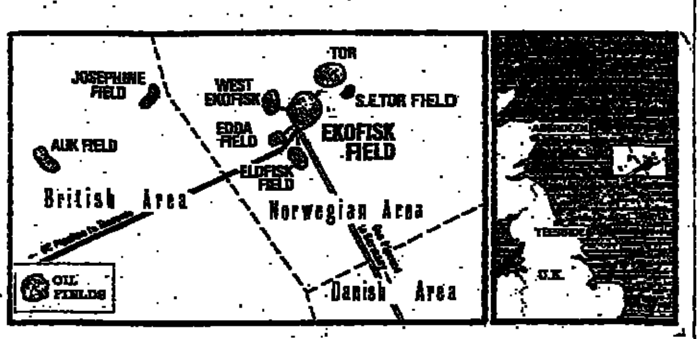
COMPANIES

● SUN ALLIANCE experienced its worst underwriting result for more than a decade last year when the dry summer resulted in an unprecedented number of *subsidence claims, according to* the chairman. Page 34

● WATERFORD GLASS will experience further progress in the current year on present indications, according to the chairman. Page 34

Experts move to-day to cap rogue well

BY RAY DAFTER IN LONDON and WILLIAM DULLFORCE IN STAVANGER



PHILLIPS Petroleum will make an effort to-day to cap the blown-out well on the Ekofisk field which has been spilling three to four thousand tons of oil a day into the North Sea since late on Friday.

Experts from the Red Adair organisation of Houston, Texas, which specialises in dealing with oil blow-outs, will start work this morning removing the oil spillage from the platform in preparation for the capping attempt.

Mr. Bob Robert, executive vice-president of Phillips' natural resources group, said yesterday he was "cautiously confident" that the "choke-well operation" would succeed, but Phillips is also going ahead with a fall-back plan to drill another well to relieve the pressure.

This operation, however, would take between one and two months to complete during which the gas and oil leakage would continue. The capping of the well could be done in three or four days.

It is already clear that this first major blow-out in the North Sea has aroused new anxiety among politicians and environmentalist groups, as well as in the oil industry itself and in the marine insurance market, about the safety of North Sea installations and the threat of pollution.

It could have far-reaching political and even economic consequences within Norway, where Opposition politicians have called for a revision of Government oil policies and spokesmen for the fishermen have been expressing deep concern: the Ekofisk slick is very close to the mackerel spawning grounds.

Following the blow-out oil has been escaping from the Bravo production platform—the biggest producer of Ekofisk—and forming a slick which yesterday was estimated to be 15 miles long and five miles across at its broadest.

The slick had been moving towards the Norwegian coast, 180 miles away, but yesterday a change of wind began pushing it slowly back towards the central Ekofisk complex. All production from the field, which feeds the Tees-side terminal by pipeline and has been running at 320,000 barrels a day, has been stopped as a precaution against ignition of the escaping gas.

Skimmer

A supply ship, carrying heavy booms and skimming equipment capable of clearing 150 to 200 tons of oil an hour, left Stavanger yesterday afternoon and is expected to start tackling the slick to-day. This method can only be used while the weather remains good and Norwegian meteorologists forecast a return of strong westerly winds for Tuesday. The skimmer, a new development ordered by the North Sea Oil Operating Companies' Committee, has not been tested.

Some seven or eight ships equipped to spray chemicals are standing by, but the Norwegian authorities are hesitating to use chemicals, fearing that they could be as detrimental as the oil to fish stocks and the ecology of the sea.

The British and Norwegian offshore industries have joined forces to help deal with the oil slick and to reduce the fire hazard. Three "clear-up" emergency service vessels were sent from Aberdeen while other units were repositioned along the East Coast. British Petroleum, Phillips and Occidental also sent three fire-fighting vessels to Ekofisk; together they are capable of pumping 60,000 gallons of water a minute.

Mr. Anthony Wedgwood Benn, Energy Secretary, who flew over the Ekofisk area yesterday, said that the oil slick could pose a serious risk to the Scottish coastline. At present pollution was not on the scale of the Torrey Canyon disaster, "but the oil is continuing to gush—and that is the problem."

The Government, he said, would be watching "very closely indeed" the Ekofisk situation. The incident is likely to lead to more urgent discussions between Norway and Britain on ways of co-ordinating their emergency services.

As for the cause of the blow-out, Phillips will make no statement until the tubing has been recovered from the stricken well, but the prevailing theory is that it was due to a failure in the down-hole safety valve some 9,000 feet below the sea bed.

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Ekofisk round-up Page 10
Oil hazards feature Page 12

Healey wants single figure earnings rise

BY DAVID CHURCHILL, LABOUR STAFF

THE Government's five main principles determining the shape of the next stage of pay policy were spelt out yesterday for the first time by Mr. Denis Healey, Chancellor, in a speech to the shop workers' union in Scarborough.

Mr. Healey said that the increase in average earnings must stay in single figures—at below 10 per cent.—over the next year. This would imply a "norm" of about 4 to 5 per cent. after allowing for wages drift caused by overtime and other earnings. He made clear the Government's insistence on a firmly agreed pay policy rather than a more informal understanding being suggested by some union leaders.

The Chancellor lent some support to the so-called kitty principle, backed the need for more flexibiliy to overcome the problems of differentials and other anomalies, and insisted that the 12-month limit between pay deals must stay.

In a later interview on ITN Mr. Healey said the single-figure increase in earnings excluded the effect of self-financing productivity agreements which might form part of the new pay policy. He also commented that if the balance of payments stayed on course and if a satisfactory pay agreement was negotiated, he might be able to take action to reduce the cost of living and create more jobs even before the autumn.

Mr. Healey flew to the conference of the 400,000-member Union of Shop Distributive and Allied Workers in Scarborough—in between important economic talks in Paris and the U.S.—to launch the Government's appeal to the grass-roots of the union movement to support a new pay policy. "I am appealing to you to make sure we do not throw away again the fruits of our sacrifice," he said. "We are at a crisis point in the life of our country and in the life of this Government."

The conference is expected to heed Mr. Healey's appeal to-day and give qualified support to a new pay deal, while the Welsh TUC has given its support at its meeting over the week-end, following the lead of the Scottish TUC a week earlier.

But the crucial conference decisions will be made over the next ten weeks, especially at the conferences of miners, engineers and transport workers.

Mr. Healey was given a slightly uneasy reception, falling a long way short of outright hostility, by the delegates, when he revealed his five-point package. In more detail this is:

● PAY NORM: the Chancellor said the objective was to achieve "a single figure pay/prices equation," and to ensure that "the increase in the nation's earnings does not rise into double figures in the next 12 months."

The Treasury for some time has been indicating privately that to reach the Government's inflation targets, average earnings could be allowed to rise only by about 10 per cent., setting wage increases at about half that

Continued on Back Page

Bhutto tightens grip on Pakistan with more arrests, censorship

BY DAVID HOUSEGO RAWALPINDI, April 24.

MR. Z. A. BHUTTO, Pakistan's Prime Minister, further curbed public criticism of his regime this week-end with an apparently nationwide series of arrests that have cut a deep swathe into what remained of the leadership and party of the opposition — Pakistan National Alliance (PNA).

Tighter censorship controls have also been imposed on the Pakistani Press forbidding any mention of PNA agitation against Mr. Bhutto without prior approval. The controls run counter to Mr. Bhutto's recent announcement of a relaxation of Press supervision through the lifting of the "Press and Publications Ordinance."

Observers see the effect of the measures as closing the door on any political dialogue for the foreseeable future and carrying Pakistan a step further towards what amounts to a dictatorship based on army support. The move also risk precipitating further violence.

In Lahore, the capital of the Punjab and the focal point of the campaign to topple Mr. Bhutto, up to 50 people are said to have been arrested in police raids last night. They include Nawabzada Nasrullah Khan, the acting president of the PNA, and Maulana Jan Mohammed Abbasi, the acting vice-president.

Mr. Abbasi had tried to oppose Mr. Bhutto during the general election in his constituency of Lakarna but was prevented from filing his nomination papers.

In the North-West Frontier Province, Begum Nasim Wali Khan, one of the PNA's main leaders and wife of the already jailed frontier leader Wali Khan, was among the 40 or so people said to have been arrested over the week-end. The situation in the province is "described" by observers as "tense" with both Mr. Bhutto's ruling People's Party and the PNA distributing arms to their followers.

A hastily gathered meeting of a newly formed PNA general council in Lahore this morning under the chairmanship of the Pir of Pagaro, the religious leader who was to-day elected the movement's acting head, condemned the arrests. It called for people from all parts of the country to march to Islamabad. The marchers will form a human barricade round Mr. Bhutto's residence.

The arrests in Lahore, one of the three cities under martial law, followed an ugly clash yesterday when soldiers shot dead at least one PNA supporter. It is the first time in the present crisis in which well over 200 people have died—that the Punjabi dominated army has killed a man in the province's capital.

Crowds taunted troops with the slogan "polluted army," implying that they were acting as Mr. Bhutto's henchmen.

Later the PNA general council tried to send a letter to the Chief of Army Staff, General Zia-ul-Haq, condemning the introduction of martial law as an act of treason because it divided the army from the people.

Until now the PNA had looked to the army to remove Mr. Bhutto and supervise fresh elections. The PNA strategy still seems to be to work for an extension of martial law throughout the country thus leaving Mr. Bhutto at the army's mercy.

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Some airline strikers drift back to work

BY NICK GARNETT, LABOUR STAFF

THE BRITISH AIRWAYS dispute was surrounded in more confusion last night as signs emerged that the three-week strike by engineering and maintenance men was crumbling.

A mass meeting of the strikers will be addressed to-day by shop stewards who decided at the week-end that the strike would continue. Some strikers, though, drifted back to work yesterday and Mr. Reg Birch, the Amalgamated Union of Engineering Workers' national officer for the civil aviation industry, said that the men might refuse to obey their strike committee if they were asked to stay out.

Trouble blew up on Friday when other unions insisted that no talks on shift pay—the crux of the dispute—could start until the engineers had gone back to work.

This infuriated the AUEW men who said this was not part of the peace plan devised by the Government's Advisory, Conciliation and Arbitration Service on which the unions were working.

Mr. Jim Mortimer, chairman of ACAS, said yesterday that in his view no union had broken undertakings made when ACAS drew up the plan.

British Airways said all its long-haul intercontinental flights from Heathrow would operate to-day.

MPs favour simple majority for elections to Europe

BY RICHARD EVANS, LOBBY EDITOR

THE CABINET'S expected support for a regional list system for direct elections to the European Parliament, due to take place next year, will probably be overturned by a combination of Conservatives and Labour anti-Marketeers, according to the latest assessment.

Instead, the indications are that on the promised free vote MPs will probably back the Westminster system of a simple majority, which in present circumstances would mean an overwhelming Conservative majority in U.K. representation at Strasbourg.

Such a result, forecast in a poll of MPs conducted by the London Weekend Television programme Weekend World, would give the Government its major remaining Bill of the session and fulfil the pledge to the EEC to legislate, but it could also call into question the pact between the Government and the Liberals which is keeping Mr. Callaghan's minority administration in office.

A further indication of Government thinking will be given to-night by Mr. Merlyn Rees, Home Secretary, when he winds up the two-day Commons debate on the Government White Paper outlining the options for direct elections, but so far Ministers have declined to announce a decision on the recommended method of election.

The indications are that Ministers will recommend the regional list system of proportional representation partly to get a reasonably representative resulta nd partly because of pressure from the Liberals for a system of PR to be considered as part of their Parliamentary pact.

There are by-elections on Thursday at Grimsby and Ashfield. The Conservatives need a swing of only 7.8 per cent. to capture Grimsby and as they have achieved a greater swing in all but one of the 12 by-elections in this Parliament they are supremely confident.

A swing of more than 20 per cent. is required to overturn one of the strongest Labour majorities in the country at Ashfield and some Tories believe there might be an outside chance of doing it. The general view, however, is that Labour will hold the seat with a greatly eroded majority.

Flood of Eurobond issues grows

BY MARY CAMPBELL

THE FLOOD of new Eurobond issues swelled over the week-end when seven borrowers came to the market for an aggregate of $350m. (more than £200m.). This brings the value of issues on offer to about $1.3bn. (£750m.).

In addition to this $1.3bn., Eurobond investors have already absorbed more than $1.6bn.-worth of new issues in the last month.

RECENT LARGE NEW ISSUES	
Volkswagen	$150m
Norway	$150m.
Bell Canada	$100m.
Ontario Hydro	$125m.
International Westminster Bank	$120m.

Issues on offer include four for British companies, the first time they have been seen in force in the market since 1973. These are Imperial Chemical Industries, which is raising DM150m. (about £37m.), Bowater $50m. (£30m.) and Reed and United Biscuits each $30m. (£17m.).

The sustained buying interest in outstanding bonds has been a feature of the new issues boom. In recent years, bouts of large-*scale new issue activity have* usually switched investment interest out of the secondary market, causing prices of outstanding bonds to drift lower in slack trading.

The sustained strength of the Eurobond market in the past month is thought to be partly due to investors holding back during the first two months of the year, when rises in short-term interest rates were expected sooner rather than later. Once it became evident that such rises were not imminent, money started to flow into Eurobonds at a particularly heavy rate.

In the past two weeks sentiment has been helped by President Carter's decision not to go ahead with his tax rebate and by *the fall in Eurodollar interest* rates from their already cyclically low levels.

A further factor may have been that interest payments on outstanding bonds, and repayments of principal, have been running at particularly high levels in the last three months. Eurobond investors are thought to reinvest a substantial proportion of such payments.

It is also suggested that money may be flowing out of equities into bonds.

Yields on Eurobonds have been falling and the terms of most new issues in the last month have been changed to the benefit of the borrower during the offering period.

● In a separate development, the first ever issues of floating rate certificates of deposit were announced on Friday after the go-ahead for this new funding technique from the Bank of England. A second new development in the floating rate sector involves an issue of so-called serial floating rate notes in the Eurobond market.

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FEATURES

For latest Share Index 'phone 01-246 8026

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LOMBARD

Indexation rides again

BY ANTHONY HARRIS

IN THIS COLUMN last week I described a possible nightmare: another crisis of financial confidence long enough or severe enough to threaten a repetition of the 1976 disasters. To be sure, our balance of payments and our reserves are much stronger than last year, and our monetary policy appears more determined and more flexible; but it is still quite easy to imagine a rise in interest rates and unemployment which would inflate the borrowing requirement again, causing a period in which funding would become very difficult. If 1976 taught one lesson, it is that the way to turn a difficulty into a disaster is to allow monetary control to falter. We need a contingency plan.

Scampering

As I have already suggested, the floating rate bond now being introduced, though admirably suited to getting the market through normal upward adjustments of interest rates, might not prove a cure-all during a more prolonged crisis. The total long-term investment demand is not thought even by the proponents of floaters to be large; and it would take only a whiff of suspicion that the Government was failing in monetary resolution to send some investors scampering for liquidity.

It seems to be time, then, to reopen the discussion of an alternative approach: borrowing in a form which offers investors such reassurance as a Government can give about the real value of their future income — and perhaps, though not necessarily, of their future investment. Such securities would probably, but again not necessarily, involve some form of indexation.

The one thing that no one seems to doubt is that such securities would sell. Indeed, one argument against them (which has convinced one previously sympathetic Minister) is that they would be so appealing that they would kill the equity market stone dead, not to mention the market for conventional gilts. I do not think I need waste much space, then, in arguing that they would be a potential solution of the funding problem, whatever their other merits or demerits.

But if these securities have such a strong appeal to investors, how can they possibly make sense from the point of view of the issuing Government? It is here that we come to the point which many critics seem to find so hard to grasp; indeed, a circular I have just received from Sheppards and Chase shows that at least one respected analyst has not yet begun to understand.

The point is simply this: the investor and the issuer are insuring against opposite risks. For the investor, the risk is that inflation will wipe out the value of his income and his investment; as an insurance premium against this he will accept a dramatically lower money return in the short run (the figure, when inflation fears are lively, might be less than 2 per cent.).

For the Government, on the other hand, the risk is that its policies against inflation will succeed in a measurable time. If they did, the real compound growth of debt issued in long bonds yielding 13 per cent. or more, and held by gross funds, would be horrifying. The large and immediate saving in cash disbursements is really a secondary issue: a wise Government should be willing to offer to pay a modest positive real return to savers instead of a negative one as an insurance against possibly a much higher real burden in the future.

I am sorry to burden readers again with these familiar points, but until they are more widely understood there is no chance of a rational discussion of the subject. Sheppard and Chase, for example, would not burden us with calculations showing that *if inflation continues at 15 per cent.*, indexed bonds would be more expensive than conventional ones. Of course they would be; that is why investors would buy them. The point of indexation is to remove the risks to both issuer and investor caused by uncertainty about inflation rates in the long run.

Confidence

With some misunderstandings cleared up (perhaps) we can now return to the present situation. If things go wrong —with wages, or oil prices—we could face a crisis of confidence in which the authorities would find it hard to go on funding by conventional means, or even with the aid of the new floaters; yet if they fail to fund, a market crisis and a monetary crisis would soon arrive to make the situation much more dangerous.

Real value securities, which discount future uncertainty for both sides, might offer the way out of this dilemma; they would have the further advantage that they would reduce rather than increase the borrowing requirement in the short term, and possibly the long term too.

Some risks remain, of course, as with any innovation; but with so much to be gained—and such heavy funding in prospect in 1979 and beyond—the proposal surely deserves more serious attention than it has yet enjoyed.

THE WEEK IN THE COURTS

Singapore tries again for Slater's extradition

BY JUSTINIAN

THE ATTEMPT by the Singapore Government to have Mr. Jim Slater and his business colleague, Mr. Richard Tarling, extradited to face charges in connection with Haw Par Brothers International and Spydar Securities comes before the High Court to-day.

Three months ago, Mr. Kenneth Barraclough, the Chief Metropolitan Magistrate, refused the application to commit Mr. Slater to prison to await his return to Singapore, on the grounds that it had not been shown that he was a director of the company, while Mr. Tarling had acted in that capacity and was ordered to be returned to Singapore.

That the issues surrounding this much-publicised case are complex is reflected in the fact that the court has set aside three weeks for the hearing before Lord Justice Sebag Shaw, Mr. Justice Neild and Mr. Justice Stocker.

The court will start by hearing an application by the Singapore Government which seeks an order to the effect that Mr. Barraclough had wrongly dismissed the case against Mr. Slater.

The court will then turn its attention to Mr. Tarling's application for a writ of *habeas corpus* in which he claims that he was in no different position from Mr. Slater so far as the directorship of the company was concerned.

Distinction

Singapore's case was that Mr. Slater, Mr. Tarling and other directors of Haw Par conspired together to dispose dishonestly of blocks of shares in two Haw Par subsidiaries. The distinction made between Mr. Slater and Mr. Tarling aroused surprise among lawyers because they were both accused of offences relating to the activities of Spydar Securities.

Under the relevant Singapore law, Mr. Slater was described as a director, but the magistrate at Bow Street Magistrates' Court thought that Mr. Slater did not act in that capacity. Under the Fugitive Offenders Act 1967, which governs the terms of extradition between Commonwealth countries, it is necessary to show that the offences charged are crimes under the laws of both the requesting country and the extraditing country. Under the comparable English offences to those charged under the law of Singapore it is unnecessary to show that the accused was a director of the company. The Singapore Government contends that the magistrate asked himself the wrong question.

The Act requires the magistrate to see if the acts or omissions constituting the offence would constitute an offence against English law, if the offence took place within England, as well as ensuring that they constituted offences in Singapore. The Singapore Government argues that the magistrate failed to ask himself whether he would have had to commit Mr. Slater had the case been one brought in England for alleged offences committed in England? It was not enough for the magistrate to test the matter solely under Singapore law where it was necessary to show that the offender had acted as a director.

Much of the argument is likely to turn on what the Chief Metropolitan Magistrate said in dismissing the case against Mr. Slater. The report of the magistrate's ruling, as it appeared in the columns of this paper on January 27 this year, recorded him as saying that "there is no evidence he held himself out as being a director" and that "the evidence, in my view, falls short of that which would be necessary to establish a *prima facie* case."

No official transcript of the judgment was made. Instead the clerk to the magistrate has told the High Court in an affidavit that the magistrate had said "in any event there was not any evidence" to justify a committal of Mr. Slater to await extradition. If the clerk's note is accepted as accurate, the refusal by Mr. Barraclough to send Mr. Slater back to Singapore would not have been restricted to the issue simply of the absence of any directorship, but would be relying on other matters in the evidence.

If the High Court accepts that, there would be no grounds in law for interfering with the magistrate's decision. The High Court is not a Court of appeal from the magistrate's decision on questions of fact. It can correct only errors of law, such as a failure to apply the relevant legal rules in deciding whether it was necessary to show that Mr. Slater had or had not acted as a director.

Mr. Tarling's case raises a number of issues, apart from the claim that there was no basis for distinguishing him from Mr. Slater. If Mr. Slater was not a director, he claims that equally neither was he. One important point in his case is that he attacks the propriety of the inquiry by company inspectors that led up to the formulation of criminal charges against him. One of the inspectors had resigned at an early stage of the inquiry on the ground that he had a conflict of interests, Mr. Tarling having once been his client. That fact, it is alleged, infected the whole of the inquiry and invalidates the subsequent charges.

Extradition is a highly technical branch of law and any decision of the High Court may be appealed to the House of Lords. Even then there is always the over-riding power of the Home Secretary to decide whether the offender should be returned or not. The hurdles that have to be negotiated by a country seeking the return of a fugitive offender are thus formidable.

Dutch, Swiss acquire BXL concern

BY KEVIN DONE, CHEMICALS CORRESPONDENT

BAKELITE XYLONITE, the U.K. plastics manufacturer, has completed the sale of its thermosetting plastics division with the disposal of two of its minor activities to European companies.

The sale of the main activities of the division is the subject of a £10m. deal with BP Chemicals, which is expected to be completed shortly. BP will acquire the three inter-related businesses in phenolic moulding powders, industrial laminates, and phenolic resins, based at Tyseley, Birmingham.

Two remaining functions of the Midlands division beyond the scope of BP's interest have been sold. Stereoprint of Au, Switzerland, has acquired BXL's matrix printing materials business, which produces boards for use in the printing of paperback books.

The polyester alkyd and DAP moulding material business, which largely services the electronics industry, has been acquired by the Dutch company Synres-Almoco.

Mackenzie's brilliance sets match a-tingle

DUNCAN MACKENZIE, the £240,000 enigma whose variations in efficacy have left Mr. Gordon Lee, his manager, unaccustomedly indecisive about his future with Everton, gave some powerful evidence in the 2-2 FA Cup semi-final against Liverpool at Maine Road, Manchester, on Saturday.

Mackenzie's brilliance — and effectiveness — on a quagmire pitch was the brightest facet of all in a match full of the ingredients that make soccer tingle. This great Mersey battle began and ended in heavy rain, and it seemed only a token gesture that three ground staff should fork the puddled goalmouths for the last five minutes before the kick-off.

It was a slippery stage set for comedy, but high drama was produced. Everton, the more dominant side in a match only three days after their championship-leading rivals had completed their qualification for the European Cup Final, twice fought back level, and, finally, were denied what they thought was a legitimate winner.

But back to Mackenzie. He was the speediest skater afield, the deftest tickler of a ball and the sharpest sniffer of the whiff of an opening. Importantly, he exercised these qualities in his opponents' penalty area, where genius counts treble.

Every player contributed something positive, and, although there were too many tackles from behind, aimed at the man and a few brief flarings of temperament, it was a highly competitive game full of skill that surmounted the problems set by the pitch.

Lawson, Everton's goalkeeper, who was stranded off his line for the first goal, compensated superbly with his left-foot kick-out of Johnson's shot that would have given Liverpool a decisive 3-1 lead 12 minutes before time.

Liverpool's 11th-minute goal came when Keegan exchanged passes with Fairclough and fed McDermott, who found no path for a right-foot shot and switched the ball to his left to stroke a sweet lob over the committed Lawson.

Everton remedied this injustice due to their pressure when Liverpool's Hughes slipped, Pearson centred well, Dobson could not shoot but helped the ball on, and Mackenzie did the necessary. Liverpool did not win a corner in the first half.

Half way through the second half Liverpool pulled off Fairclough and sent on Johnson. Before he could reach the centre of the battlefield, Kennedy had taken a free kick from near … left corner, Lawson had punched out and Case had headed … before the Everton goalkeeper … whose backs were absent fr… his line, could recover … minutes).

Again, Everton were hard do… by, but Liverpool's ability … counter-punch is well recogni… Ten minutes later, Macken… crowned a superb sharp run w… a diagonal cross that left Ri… a simple task for his first g… since the pair arrived at Evert… Mr. Billy Bingham's last … signings before he was sack… It was an ironic moment.

Less than two minutes la… Everton again had the ball in … net—a Goodlass cross, help… along by Mackenzie, and play… in by Hamilton's left hip. Ev… ton wondered why referee Cl… Thomas had ruled it out … claimed a flag had not be… raised, but Hamilton could … have been offside.

Everton's efforts over the … two months have proved … Liverpool has two great sid… Only Manchester can match … in England and, whoever wins … Wednesday, they should make … a great final against Manchest… United.

FA CUP semi-finals: Liverpool-Everton by Jame… French; Manchester United-Leeds by Trevor Baile…

Rare football — enthralling and with plenty of quality

THE MEETING between Manchester United and Leeds at Hillsborough on Saturday proved something of a rarity: an FA Cup semi-final which was enthralling, rewarding and, considering a tricky, swirling wind, containing far more quality football than normally to be found in these affairs.

Manchester thoroughly deserved their 2—1 victory because they were the more complete team. This win gives them the opportunity to make amends for their disappointing performance against Southampton in last season's final, when they never succeeded in moving out of third gear.

Although the Lancashire side provided greater pressure in the first 20 minutes, the big difference was they converted both their scoring chances, in contrast to Clarke, who headed over and then later squandered an Eddie Gray-inspired opportunity by shooting wide.

The first goal by Jimmy Greenhoff, after only five minutes, stemmed from a Frankie Gray mistake, and the second owed much to Pearson, who led his line splendidly throughout, winning a cross with his head, followed by a fortunate ricochet from an intended shot. But Coppell must be congratulated for the way he hit the loose ball first time into the net.

Although the final quarter of the first half belonged to Leeds, they were unable to find a way through the Lancastrian rearguard, efficiently master-minded by Buchan.

After the interval, they were forced to throw more men forward in an effort to reduce the deficit, which left them vulnerable to the quick counter-attack, especially as both their full-backs were weak.

Stewart did well to save from Pearson, but the best chance fell to Hill, who showed his immaturity when he failed to exploit a perfect three-attackers-against-two-defenders situation.

The Yorkshire team eventually pulled one goal back with a penalty by Clarke, after a spectacular dive by Jordan. This was exactly what was needed to ignite the match and, from that moment until the final whistle, it was non-stop excitement, with numerous chances and half-chances occurring at either end, but no more goals.

However, there can be no doubt that the result was correct, because Manchester displayed superior all-round co-ordination. From mid-field, t… distribution of Macari a… McIlroy to their two wingers a… twin strikers was now… accurate, and, when possib… along the ground, while … whole side developed an und… standing which Leeds could n… equal.

Madeley and McQueen did w… to cover the Yorkshire clu… obvious deficiencies at the ba… on either flank, while Jorda… an old-fashioned centre forwar… charged bravely and was clear… prepared to engage the ent… opposition single-handed.

The most intriguing compar… son was to be found in their mi… field trio, where Cherry neve… remotely suggested an intern… tional wing-half and Frank… Gray made so little impressi… that eventually he wa replace… by Lorimer. Currie, talented an… unpredictable, was exceptiona… He provided some inspired cros… field passes, repeatedly dribble… past opponents, and, because o… his strength and skill, prove… difficult to dispossess.

On this showing, and with th… correct direction, he looked goo… enough to walk into most inter… national teams, including West Germany, who are far stronger than the present England side.

TV Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 a.m. Open University (UHF only). 9.38 For Schools. 10.45 You and Me. 11.00-11.42 For Schools. 12.45 p.m. News, Weather. 1.00 Pebble Mill. 1.45 The Flumps. 2.01-3.00 For Schools. 3.15 Songs of Praise. 3.53 Regional News (except London). 3.55 Play School. 4.20 Marine Boy. 4.40 Kizzy. 5.10 Blue Peter. 5.35 Fred Basset.
5.40 News, Weather.
5.55 Nationwide.
6.45 A Question of Sport.
7.15 Poldark, part 16.
8.10 Panorama: Who's Helping Amin?
9.00 News, Weather.
9.25 Play for To-day. "The Saturday Party," by Brian Clark, Peter Barkworth, Sheila Gish.
10.35 To-night.
11.15-11.17 Weather.

All regions as BBC-1 except: Wales—1.45-2.0 p.m. Pili Pala. 2.18-2.38 For Schools: Let's Look at Wales. 5.55-6.20 Wales To-day. 6.45-7.15 Heddiw. 11.15 Weather, News for Wales.

Scotland—5.55-6.20 a.m. Reporting Scotland. 10.35-11.10 Public Account. 11.10 p.m. News, Weather for Scotland.

Northern Ireland—2.18-2.38 p.m. For Schools: Green Peas and Barley O. 3.53-3.55 Northern Ireland News. 5.55-6.20 Scene Around Six. 11.15 News, Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich). Look North (Leeds, Manchester, Newcastle). Midlands To-day (Birmingham). Points West (Bristol). South To-day (Southampton). Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University. 11.00-11.25 Play School. 3 p.m. Worktalk. 3.30-3.55 The Education Debate. 4.55-7.00 Open University. 7.00 News, Weather.
7.05 Arlott and Trueman on Cricket: Gentlemen and Players.
7.30 Newsday.
8.00 Monty Python's Flying Circus.
8.30 Spike Milligan in Q6.
9.00 Don't Forget to Write!
9.50 Wealth of the Roman World: part 1.
10.10 Women at War.
10.45 News, Weather.
10.55 Open Door: Shoreham Youth Workshop.
11.25-11.50 David Davis reads "The Glory," by Edward Thomas.

LONDON

9.30 a.m. For Schools. 12.00 Jamie and the Magic Torch. 12.10 p.m. Rainbow. 12.30 Drive-in. 1.00 News. 1.20 To-day's Post. 1.30 Indoor League. 2.00 Good Afternoon. 2.25 Sam. 3.20 A Tribute to Emmerdale Farm. 3.50 Emmerdale Farm. 4.20 Clapperboard. 4.45 The Flockton Flyer. 5.15 Batman.
5.45 News.
6.00 To-day.
6.45 The Little and Large Tellyshow.
7.30 Coronation Street.
8.00 Miss Jones and Son.
8.30 World in Action.
9.00 Charlie's Angels.
10.00 News.
10.30 †Appointment with Fear. Deborah Kerr, David Niven, Donald Pleasance in "Eye of the Devil."
12.10 a.m. Dannie Abse reads one of his poems.

ANGLIA

12.30 p.m. Farmhouse Kitchen. 1.25 Anglia News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 About Anglia. 10.30 Horses in Our Blood. 11.00 Film: "Night Slaves." 12.20 Reflection.

ATV MIDLANDS

12.30 p.m. David Niven's World. 1.20 ATV Newsdesk. 5.15 In Search Of . . . Do Plants Communicate? 6.00 ATV Today. 10.30 Midland Soccer Player of the Season. 11.00 Platform for Today. 11.45 Wait Till Your Father Gets Home.

BORDER

12.30 p.m. Survival. †1.20 Border News. 2.00 Houseparty. 3.20 Something to Declare. 5.15 Garnock Way. 6.00 Border News and Lookaround. 6.15 Happy Families. 10.30 Border Month. 11.15 Boney. †12.10 Border News and Weather.

CHANNEL

†1.18 p.m. Channel News, What's On Where, Weather. 5.15 Woody Woodpecker. †6.00 Channel News and Weather. †6.10 Big Blue Marble. †10.28 Channel News and Weather. †10.32 Personal View: Vincent Price. †11.00 Film: "Curse of the Fly." †12.30 a.m. News and Weather in French. Channel Gazette, Weather.

HTV

12.30 p.m. Day Return to Oxford. 1.20 Report West Headlines. 1.25 Report Wales Headlines. 2.00 Out Of Town. 2.30 Sam. 3.25 The Magician. 5.15 Sarmaidens. 6.00 Report West. 6.22 Report Wales. 9.00 Baretta. 10.35 †Film: "Saturday Night Out." 12.20 a.m. Weather.

HTV Cymru/Wales—As HTV except: 1.20-1.25 p.m. Penawdau Newyddion Y Dydd. 2.00-2.30 Hamdden. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos. 10.30 Report Wales Headlines.

HTV West—As HTV except: 1.20-1.30 p.m. Report West Headlines. 6.22-6.45 Report West.

GRAMPIAN

9.25 a.m. First Thing. 12.30 p.m. Horses in Our Blood. 1.20 Grampian News. 3.20 Beryl's Lot. 5.15 Mr. and Mrs. 6.00 Grampian Today, Weather. 6.10 †Top Club. 10.30 †Film: "The Long Ride Home." Glenn Ford. 12.15 Reflection.

GRANADA

12.30 p.m. The Amazing World of Kreskin. 1.20 Max the 2,000-year-old Mouse. 3.20 Survival. 5.15 Mr. and Mrs. 6.00 Granada Reports. 10.30 Reports Politics. 11.00 Appointment With Fear: Ray Milland in "Black Noon."

SCOTTISH

12.30 p.m. Farmhouse Kitchen. †1.25 Scottish News Headlines: road and weather reports. 2.00 Houseparty. 5.15 What's Your Problem? 6.00 Scotland Today. 6.35 Crimedesk. 10.30 At Home with Hinge and Bracket. 11.00 Late Call. 11.05 "Paper Man."

SOUTHERN

12.30 p.m. Survival. 1.20 Southern News and Weather. 2.00 Houseparty. 3.20 Harriet. 3.50 Emmerdale Farm. 5.15 Mr. and Mrs. 6.00 Day by Day. 10.30 Special Branch. 11.30 Southern News Extra. 11.40 Persecution '77. 11.45 Farm Progress. 12.30 a.m. Weather.

TYNE TEES

9.25 a.m. Starting Point. 9.30 Good Morning North. 9.45 David Hand Cartoon. 9.00 Peyton Place. 12.30 David Niven's World. 1.20 North East News and Lookaround. 3.25 The Collaborators. 5.15 Lassie. 6.00 Northern Life. 6.40 Police Call. 10.30 Horses in our Blood. 11.00 Westminster File. 11.30 Special Branch. 12.30 Epilogue.

ULSTER

1.20 p.m. Lunchtime. 2.00 See You Monday. 3.48 Ulster News Headlines. 5.15 Garnock Way. 6.00 Ulster News. 6.05 Happy Days. 6.30 Reports. 10.30 Monday Night with the Rev. G. A. McCambley. 10.35 Columbo—"Any Old Port in a Storm." 12.20 Bedtime.

WESTWARD

12.25 p.m. Gus Honeybun's Birthdays. 12.30 Advanced Driving with Graham Hill. 1.20 Westward News Headlines. 5.15 Woody Woodpecker. 6.00 Westward Diary. 6.28 Sports Desk. 10.28 Westward News and Weather. 10.35 Politics West. †11.00 Film: "The Curse of The Fly." 12.30 a.m. Faith for Life.

YORKSHIRE

8.30 a.m. Good Morning Calendar. 8.45 Cartoon Time. 9.00 Peyton Place. 12.30 p.m. George Hamilton IV. 1.20 Calendar News, Weather. 1.30 The Mary Tyler Moore Show. 3.20 What We Have Here is a People Problem. 5.15 University Challenge. 6.00 Calendar; Weather. 10.30 Horses in Our Blood. †11.00 Film: "Inadmissible Evidence." Nicol Williamson, Jill Bennett and Eileen Atkins.

RADIO 1 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates, including oldies from 1970. 12.00 Paul Burnett, including 12.30 p.m. Newsbeat. 2.02 David Hamilton (S) (also on VHF). 4.31 It's D.L.T. OK! including 5.30 Newsbeat. 7.00 Movie Quiz (joins Radio 2). 10.02 John Peel (S) (also on VHF). 12.00-12.05 a.m. As Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News, Weather. 6.02 Colin Berry (S), including 6.15 Pause for Thought. 7.02 Terry Wogan (S), including 8.27 Racing Bulletin. 8.45 Pause for Thought. 9.02 Pete Murray's Open House (S), including 10.30 Waggoners' Walk. 11.30 Jimmy Young (S). 1.30 p.m. Sports Desk. 1.55 Good Listening (VHF). 2.02 David Hamilton (S) (as Radio 1, but including on 1500m only—202m Scotland 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S), including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Movie Quiz. 7.30 Alan Dell: The Dance Band Days. 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton (S). 10.02 Sports Desk (1500m only—also 202m Scotland, VHF joins Radio 1). 10.05 Star Sound (1500m only—also 202m Scotland. VHF joins Radio 1). 11.02 Don Durbridge (1500m only—also 202m Scotland. VHF joins Radio 1). 12.00-12.05 a.m. News, Weather. Motoring.

RADIO 3 464m, Stereo & VHF

† Medium wave only

6.55 a.m. Weather. 7.00 News. 7.05 Overture (S): Beethoven, Bach, Parry, on record. 8.00 News. 8.05 Morning Concert (S): Mozart, Tartini, Kodaly. 9.00 News. 9.05 This Week's Composer: Villa-Lobos. 9.50 Talking About Music (S). 10.20 Louis Kentner (S) Piano recital. 11.05 Academy of the BBC (S), Part 1: Dvorak, Mozart. 11.50 In Short. 12.00 Academy concert, Part 2: Beethoven. 1.00 News. 1.05 Concert (S): Shostakovich, Brahms. 2.00 Matinee Musicale (S). 3.00 Organ in Concert (S). 4.00 New Records: piano music. 4.55 Bandstand (S). 5.25 Ataraxis Music Box. 5.45 Homeward Bound. 6.05 News. 6.10 Homeward Bound. 6.30 Lifelines: Home and Family. 7.30 BBC Scottish Symphony Orchestra (S): Strauss, Schumann, Brahms. 9.20 Heads on Government. 10.10 Bach Cantata (No. 6 (S). 10.35 Music In Our Time (S). 11.25 News.

Radio 3 VHF only: 6.00-7.00 a.m. and 5.45-7.30, p.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

6.20 a.m. News. 6.22 Farming Week. 6.40 Prayer for the Day. 6.45 Today. 7.00 News, more of Today including 7.25 VHF Regional News Weather. 7.45 Thought for the Day. 8.00 News; more of Today including 8.25 VHF Regional News, Weather. 8.45 John Fortune. 9.00 News. 9.05 Start the Week with Michael Parkinson. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Any Questions? 11.50 Announcements. 12.00 News. 12.02 p.m. You and Yours. 12.27 Desert Island Discs. 12.55 Weather, programmes. VHF (except London and SE) Regional News and Weather. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour (from 2.00). 2.45 Listen With Mother. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM Reports. 5.50 Financial Report. VHF Regional News and Weather. 5.55 Weather, programme. 6.00 News. 6.15 The Better Half. 6.45 The Archers. 7.00 News. 7.05 The World in Focus. 7.30 The Story and the Song. 8.00 The Monday Play: "Rudin." (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.45 A Book at Bedtime. 11.00 Financial World Tonight. 11.15 Today in Parliament. 11.30 Weather. News. 11.51-11.54 Inshore Forecast.

VHF only: 10.05 a.m.-12.00 and 2.00-3.00 p.m. For Schools.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 Weekly Echo. 9.20 Richard Vaughan with London Live. 11.03 In Town. 12.03 p.m. Call In, including 1.00 London News Desk. 2.03 Paul Owens with 206 Showcase. 4.03 Home Run. 6.10 Democracy Rules, OK?—GLC elections. 6.30 Look, Stop, Listen. 7.30 In Town. 8.30 Breakthrough, including 9.20 The Alternative London News. 10.03 Late Night London. 12.00-Close As Radio 2.

London Broadcasting

261m and 97.3 VHF

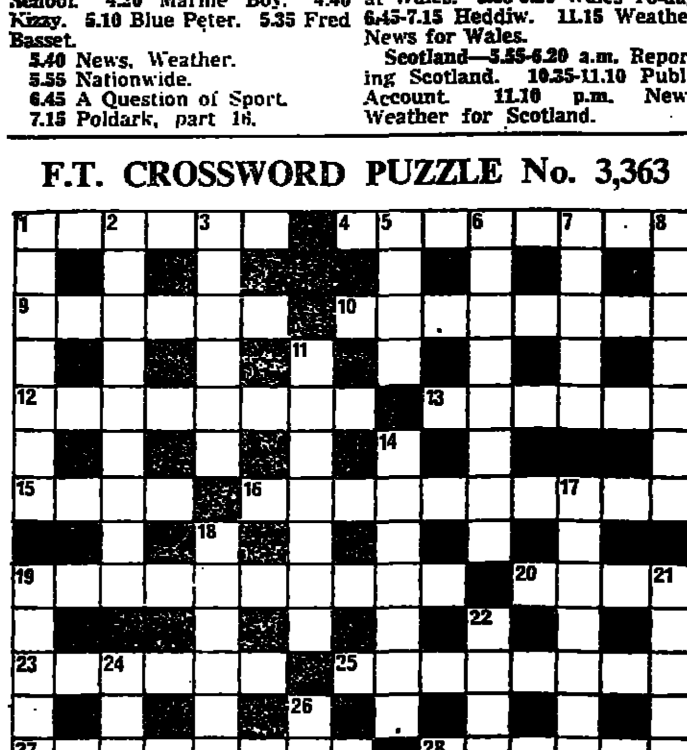
5.00 a.m. Morning Music. 6.00 "A.M." 10.00 Brian Hayes. 12.45 p.m. Mid-day Report. 1.30 Barbara Kelly and Vivian White. 4.45 Afternoon Report. 5.30 Newsbreak. 8.00 Music in Stereo. 9.00 Nightline. 1.00-4.30 a.m. Nightwatch—news every half-hour.

Capital Radio

194m and 95.8 VHF

2.00 a.m. Night Flight. 6.00 Breakfast Show. 9.00 Michael Aspel. 12.00 Dave Cash. 3.00 p.m. Roger Scott. 4.30 People's Choice. 5.00 Hitline. 7.00 London Today. 7.30 Open Line. 9.00 Nicky Horne. 11.00 Tony Myatt.

F.T. CROSSWORD PUZZLE No. 3,363



ACROSS

1 A party takes us to the university (6)
4 Battle kit for a prison officer (8)
9 The answer for unkempt hair you have to allow (6)
10 Expression of approval demanding extra attention (4, 4)
12 "Through —— clothes small vices do appear" (King Lear) (8)
13 Half London following one party? That is a false concept (6)
15 A youngster with nothing in him can be a burden (4)
16 Rough existence for the lifeboat men (6, 4)
19 "A time of tempest has seemed to come upon the —— of the earth" (Eisenhower) (10)
20 Commotion in prison (4)
23 Mouselike, but a knock-out with one from Helsinki (6)
25 Fragrant hand-out in the opening (8)
27 Osric was likened to one of these birds (8)
28 Stock melody (6)
29 They had their own way in the Tower (8)
30 Is engaging, but she's after me! (6)

DOWN

1 Excellent source of income (7)
2 Novelist takes the Gospel to a couple (4, 5)
3 Joined in duet possibly (6)
5 Tragedy gives up the attempt to portray the old (4)
6 Gloomy periods, but Churchill called them great (4, 4)
7 We are found in a measure in a Surrey town (5)
8 Trap oriental at the end of the season (7)
11 One who pays for the colonist (7)
14 A fried dish can be waste (7)
17 Where John had a bad crossing, we clean things up (2, 3, 4)
18 What the sommelier brings to your notice (4, 4)
19 Arrived with many at Arthur's court (7)
21 Staring about at sailors (7)
22 The sack for the Frenchman in Lancs (6)
24 Catch the artist with coconut inside (5)
26 The Prince of opera (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

RACING BY DOMINIC WIGAN

Powderhall is well forward

THAT SMART Don Carlos filly Claironcita, who strung together five successes in only a month during the second half of last season, reappears in to-day's competitive Shiny Tenth Trophy at Warwick.

Although her chance must be respected, Claironcita may not yet be forward enough to do herself full justice and I pass her over in favour of Powderhall from the in-form Newmarket stable of William Hastings-Bass.

The comfortable winner of a handicap over to-day's 1-mile 2-furlong course and distance last July, Powderhall subsequently retained her form well and gained another well-deserved success when giving Six Five Seven 3 lbs and a five-lengths beating in the Brooke Bond Oxo Amateur Riders Final at Haydock.

Reported to be well forward, the compact Powderhall, who is trained by Hastings-Bass for his younger brother, Simon, can take advantage of the 23 lbs she receives from Claironcita. The easy Wolverhampton winner, Black Crow, who subsequently ran abysmally at Beverley, may prove best of the remainder.

At Bath it could pay backers to follow the fortunes of Seven Barrows. I expect Imperial Guard to lift the Somerset Stakes for the Lambourn stable and stable-mate Ribac to complete a double for Walwyn and Eddery in the first division of the Blathwait Stakes.

Looking ahead to the first two classics, Tachypous and Freeze the Secret were both in strong demand on Saturday.

BATH
2.00—Scholeaagial
3.00—Winged Dagger
3.30—Imperial Guard**
4.00—Piercing Note
4.30—Ribac*

WARWICK
2.15—Prince Harold
2.45—Miss Liqueur
3.15—Rare One
3.45—Powderhall***
4.15—Bicentennial
4.45—Movement

The Bruce Hobbs-trained Tachypous, a second of the brilliantly fast Stilvi, is now down to 10 to 1 with most firms in the 2,000 Guineas after reports of his highly impressive blinkered homework. Freeze the Secret is top quoted at 8 to … for the first fillies classic.

Riding plans are still not clear for the 1,000 Guineas, but almost all the likely starters for the colts' classic have jockeys booked.

Horses with firm riding arrangements for the 2,000 Guineas are: The Minstrel (L. Piggott), Tachypous (G. Lewis), Water Boy (P. Paquet), Tudd… Jig (E. Hide), Baudelaire (… Murray), Etienne Gerard (… Starkey), Gairloch (B. Taylor), … Don (G. Cadwaladar), Good Company (G. Baxter), He Loves Me (A. Kimberley), King … Macedon (Y. Saint-Martin), … Haste (J. Lowe), Nebbiolo (… Curran), Sporting Yankee (… Eddery), Sultan Ruby (E. Johnson) and Whitby Jet (J. Se… grave).

HORSE TRIALS BY MICHAEL DONNE

Lucinda's double

LUCINDA PRIOR-PALMER, the reigning European Three-Day Event champion, scored a brilliant double at the Badminton Horse Trials over the past week-end, coming first with one horse, George, and third on her other mount, Killaire.

Miss Diana Thorne, riding The Kingmaker, was second and Miss Jane Holderness-Roddam, on Warrior, fourth.

This was the second successive Badminton win for Miss Prior-Palmer. She won last year on Wideawake—and it was her third victory in the event.

Over the next few days, the British Horse Society's selectors will be studying the results of Badminton, and around the end of this month are expected to announce a list of the possible horses and riders who will go into intensive training this summer for the British team for the European championships in about late August or early September.

For the rest of the Badminton event there were some major disappointments. Captain Mark Phillips, lying second with Persian Holiday at the end of the dressage phase and bidding for his fourth Badminton victory, had the bad luck to break rein and had to retire without finishing the cross country.

He also had a disappointing ride on his second mount, Goodwill, collecting two refusals and enough time penalties to put him well out of the running.

Another favourite with the public, Richard Meade, had three refusals at the fence known as the Quarry with his horse Tommy Buck and was thus eliminated.

The foreign challenge which had shown so much promise earlier in the dressage phase, faded out on the cross-country, like the German rider, Karl Schultz, on Madrigal, who were lying first at the end of the dressage phase.

RUGBY BY PETER ROBINS

Coventry's decline shows

COVENTRY'S faithful supporters deserve better than the Rugby they had to endure at the week-end, when Bristol were defeated 17-13.

In a petty, loosely controlled game Rafter, the Bristol captain, was sent off in a squalid end to a match that had begun quite brightly. Bristol's continuous errors in handling cost them several scores.

Sorrell gave Bristol the lead with a penalty but just on the interval Knee scored a try for Coventry. Immediately after the change Aitchison charged down and re-gathered Cue's kick for a breakaway try which Paul Evans converted.

Geoff Evans, making his second appearance following the accident then scored a splendid try at great speed. Polledri and the energetic Rollitt both scored for Bristol and in between Aitchison kicked a penalty for Coventry.

Coventry's outstanding players were Malik and Shipsides while Bristol enjoyed the good line-out possession from Troughton.

They also won enough ball to stick to the basic running philosophy exemplified by Harding. It was unfortunate that on the day they did not have the skill to make it worthwhile.

Historically, Coventry occupy a special place in English rugby with an apparently endless production of big tough forwards who command deep respect from all other clubs.

To-day that is not the case and this club is ending its worst season since 1923 having lost 1… games and won 21.

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هكذا من الأصل

Hampstead Theatre

Abigail's Party

by B. A. YOUNG

Abigail is 15, and her party is next door. We don't see it, we hear it. While it's going on, Susan, her mother, takes refuge with her neighbours Laurence and Beverley, who are entertaining Tony and Angie, newcomers to the street.

That's all. When I was reviewing *I Made It, Ma*, I said that the hallmarks of extemporised theatre were finely detailed characters and undeveloped plots, and in *Abigail's Party*, set up and directed by Mike Leigh, the hallmarks are magnified enormously. Until Laurence has a sudden heart attack we only eavesdrop on conversation; but the five participants are displayed in microscopic detail in some of the most observant acting I've seen.

Lack of plot is no shortcoming. There's so much to watch, to laugh at, and to shudder at in the wonderfully invented encounters that I might even have resented anything that came between me and the characters.

Susan (Thelma Whiteley) is a nice standard middle-class lady, politely friendly with everyone. Beverley (Alison Steadman), who has forgotten to bring what passes for her mind with her from her childhood in the 1950s, sees hospitality only in terms of gin-and-tonic. Her little husband (Tim Stern), a hard-working houseagent with a wistful ambition for culture—records of James Galway, uniform, unread sets of Shakespeare and Dickens—evidently stakes her pretty generously, for their open-plan home is filled with hideous expensive furniture cunningly displayed in Tanya McCallin's set.

The two newcomers are nearer Beverley's world than Susan's. Tony (John Salthouse) was once a Crystal Palace footballer but is now a computer operator, though still young (some mystery here?). He is courteous but taciturn. The play being anti-wife, if not indeed anti-society, he is equipped with a spouse (Janine Duvitski) as awful as Beverley. She is not so bossy, but just as talkative; not so useless either, for when Laurence collapses she uses her nurse's training to give first aid while Beverley resorts to hysteria.

The characters and their milieu are all the company offer us. The stage is like an aquarium where the five assorted exhibits do no more in their tanks than be themselves. It may not sound like a hilarious evening, but it is. Not only hilarious, what's more, for we are back in the country of Ayckbourn's *Just Between Ourselves*. Under the skin of humour there is some scarifying social criticism.

Tim Stern and Alison Steadman

Purcell Room

Coull String Quartet

by RONALD CRICHTON

At Thursday night's Westmorland concert the four ex-RAM students who form the Coull String Quartet gave a programme of British chamber music written during or soon after the war. The Second Quartets of Tippett and Britten, and Walton's only survivor (his first was withdrawn a long time ago) are all typical. Tippett and Britten in their distinct ways (Britten's writing more transparent, his assertions of tonality more deliberate, the effect more brilliant if less haunting) look backwards to the Tudors and Purcell as well as forward to the ways their traditions can put forth fresh leaves. Walton applies his well-established idiom with urbane assurance to the intimate medium.

Starting with the Tippett asks much of the players in the madrigalian metres of the first movement that need to be free and easy as well as safely coordinated. In this case, there was a shortage of swing or lightness of tread. The slow movement held fire, then suddenly in the scherzo the right feeling came and remained through the finale—though here, as in the more ceremonious pages of the Chacony forming Britten's finale, there was a certain monotony in the loud playing, the tone excellently sturdy but too unvaried. *The players' fluent, relaxed performance* of Walton's Quartet, whose needling rhythms and unselfconscious lyricism are evidently congenial, was admired during the recent birthday celebrations.

Kiel

Macbeth

by ELIZABETH FORBES

The Breezy City is the local name for Kiel. This Easter the winds brought heavy snow showers, relieved by bright spells of sunshine, and the temperature hovered at zero. Luckily Kiel, with a population of only just over a quarter of a million, boasts an Opera House—as well as a Municipal Theatre—that plays opera or ballet seven nights a week, ten months of the year. The repertory, over the holiday week-end, consisted of *Eugene Onegin*, *The Sleeping Beauty*, *The Rise and Fall of the City of Mahagonny*, *Macbeth* and *The Tales of Hoffmann*, of which I heard the last two works.

Opera is sung in the vernacular at Kiel. The *Macbeth* production is new, but has clocked up just sufficient performances to accommodate a last-minute change of singer in the title role without upsetting the rest of the cast. In any case, Joachim Klaiber's production takes as its two opposing magnetic poles the Witches and Lady Macbeth. The weird sisters, usually recumbent right down stage when visible to Macbeth, also watch, through openings in the proscenium arch, the fulfilment of their prophecies. Hubert Popp's sets, simple, quick-changing and atmospheric, emphasise the barbaric aspects of Macbeth's Scotland.

Marie Hayward, Kiel's British soprano

Lady Macbeth, dominating her spouse by force of will, sexual attraction and overriding ambition, is sung by Marie Hayward. This British singer, Kiel's resident dramatic soprano for the last two years, has developed excitingly both in voice and in personality since she was heard in London. Her Lady Macbeth is strongly sung, forcefully projected and dramatically convincing. The florid music gives her no trouble, and she caps a well-integrated performance with a powerful sleep-walking scene. The challenge of a new, unknown Macbeth obviously stimulated her imaginative interpretation.

Willem Laakmann, the Dutch baritone who came from Krefeld to sing Macbeth, is possibly more at home in Rossini than in Verdi, and was himself suffering from a cold, but he has the range for the part, especially the high notes, well in his voice, and the neurotic, conscience-driven characterisation he brings to the role fits well into the production. David Cumberland, an American bass, sings Banquo with a smooth, Italianate line. The chorus, predominantly youthful, is enthusiastic and vigorous in attack. Klaus Rohra, a young conductor with an excellent grasp of Verdian style, and the ability to impose that style on the orchestra, also conducts the Offenbach work.

The Tales of Hoffmann is an opera than can easily fall apart in performance, but Heinz Lukas-Kindermann's production, designed by Wolf and Heidi Wanninger, unifies it dramatically as successfully as any staging that I can remember. Using Luther's wine cellar as a solid, permanent framework, the director views Hoffmann's three Tales through a kaleidescope of variously shaped cut-outs, with projections (by Gernot Maul) to indicate changes of place and mood. This method works particularly well in the third, Venetian act, evoking the spirit of carnival most convincingly.

Paul Medina, only partly recovered from the indisposition that forced him to cancel Macbeth, was not in best voice, but he makes an uninhibitedly villainous character out of Lindorf and his three other manifestations, contrasting a diabolically evil Dr. Miracle with a polished though equally sinister Dapertutto. Aleksandra Duszewska is a competent, doll-like Olympia; Julia Kemp sings sympathetically as Antonia: while Marie Hayward's Giulietta is a voluptuous Venetian courtesan such as Titian might have painted.

Berthold Gronwald, looking every inch the Romantic Poet, copes heroically with the long, heavy and at times unrewarding role of Hoffmann. He is faithfully protected by the Nicklaus of Alice-Marie Nelson, who also plays Hoffmann's Muse. Heinz Brinks sings the four buffo tenor parts: his gentle, hopelessly untalented Franz is a special delight. The chorus again works hard and with infectious enthusiasm, while Klaus Rohra proves no less attuned to Offenbach than to Verdi.

Ballet in Battersea Park

Covent Garden's resident Royal Ballet Company will be dancing in Battersea Park for a Silver Jubilee season beginning July 4 for two weeks. This is a return visit of the Ballet Company to Battersea Park, the first was in 1975, and it has been arranged by the Greater London Council in association with the Royal Ballet Company and with the Midland Bank.

Theatre Royal, Norwich

La Vie parisienne

by ELIZABETH FORBES

The smaller of the English National Opera's two touring companies is this year presenting three works—*Madame Butterfly*, *Cosi fan tutte* and *La Vie parisienne*—in seven cities disposed geographically between Bath and Sunderland.

The production of Offenbach's operette *La Vie parisienne*, though not yet given at the London Coliseum, is not brand new. The Phoenix Opera staging, first played at the Brighton Festival in 1974, has been taken over by ENO. Tim Goodchild's sets, appropriately plush in visual effect, though simple and quick to change, are ideal for touring. How they will adapt to the huge Coliseum stage remains to be seen.

Without a strong central story line, or even the prop of a mythological theme such as *La belle Hélène* and *Orphée aux enfers*, to lean upon, *La Vie parisienne* needs firm dramatic support. Tom Hawkes, with choreographic aid from Sally Gilpin, has carefully restaged his original production.

Much of the action resolves round three party scenes—the Residents' luncheon hastily improvised by Raoul for his guests at the "Grand hotel"; the Swiss Admiral's evening reception held by Bobinet in the house of his aunt, the Dowager-Duchess of Quimper-Karadec; and the Brazilian's lavish late-night entertainment at the Café Anglais. Mr. Hawkes gives each of these social occasions its distinctive feeling of time and place.

At Saturday's performance in Norwich standards of intelligibility in putting across dialogue and lyrics—Geoffrey Dunn's witty English translation of the Meilhac/Halévy libretto is used—varied considerably, with the men easier to understand than the women.

Ian Caddy as Bobinet is particularly good at inflecting his words—"Yes, I *know* I'm splitting down the back"—for maximum comic effect while maintaining the high seriousness proper to farce. Terry Jenkins, a lively, resourceful Raoul, pursues his quarry, the attractive Swedish Baroness Gondremarck, with single-minded determination.

Eric Shilling's every syllable can, as usual, be clearly heard—"it's the practice from all those Gilbert and Sullivan patter songs," *explained a voice behind me* in the Theatre Royal—but his Swedish accent as the Baron is apt to slip, especially when a pretty girl comes into view.

John Winfield's ebullient Brazilian (in this version his role incorporates that of Frick the Bootmaker as well) galvanises the performance much as Massine's used to in his ballet version of the story.

These characters, extrovert to a man and stock theatrical types, are well represented by the conductor, John Matheson, whose brisk, rhythmical treatment of *the score suits them perfectly*.

But Offenbach's music has its introspective, feminine aspect and several numbers would benefit from a gentler, less aggressive approach. If the heroine of the piece is Paris herself, the female characters exemplify the city's many and various attractions. Ann Hood, vocally not very comfortable as Metella, can make little impression with her Letter song at the strict tempo favoured by Mr. Matheson. Joyce McCrindle, a delectable Swedish Baroness to eye and ear, will radiate her enjoyment of life in the French capital even more infectiously when she is allowed a fraction more rubato.

Sandra Dugdale, who sings Gabrielle's music with exhilarating accuracy and impersonates the glove-seller with a delicious air of primness, will be even funnier in "I'm a Colonel's Widow" and the spoof Bavarian *Schuhplattler* if she is encouraged to *underline the* parody a little more.

Further performances—this was only the fifth of the tour—will probably bring about these results quite naturally. Meanwhile the discipline of the 25-strong chorus is admirable and the orchestra plays with fine spirit, if not yet with sufficient delicacy or refinement.

Rye Spring Music

Tavener

by NICHOLAS KENYON

The parish church of St. Mary's dominates the medieval smuggling port of Rye, and this week-end on its tower the oldest functioning church clock in England stood still, for once, at 7.30. It was a curious signal to the town that the second Rye Spring Music season had begun in the church, and that the giant pendulum which hangs down in the central crossing of the nave had been stopped, its rhythm giving way to that of music.

Little rhythmic pulse was perceptible, in fact, in the new work which inaugurated the festival, John Tavener's *Canticle of the Mother of God*. A choir in the chancel (Cantores in Ecclesia, conducted by Michael Howard) chanted the Magnificat in Greek to a homophonic series of dissonant, vibrating chords. A soprano soloist (Elise Ross), hidden on a balcony in the north transept, interpolated warm, sensuous melismas which *announced the same text in Hebrew*.

As in previous Tavener works, notably *Ultimos Ritos*, there was strong simultaneous contrast between activity and repose; and there was also symmetry, for the musical material turned back on itself at the central point of the piece and returned to its opening.

Beautifully simple in design, yet powerfully evocative in effect, the work again demonstrated Tavener's use of logically ordered ideas in the service of atmospheric, almost insubstantial results. The choir did not quite attain the precise detachment which the chant requires, but Elise Ross wrapped herself gloriously around the characteristic repeated intervals of each phrase, capturing the inner *hesychia*, the quiet perception of light, which the score directs her to find in the part.

The memorable, sensitive, shaping of the solo line promises well for Tavener's opera *Thérèse* (Covent Garden, next season), in which Elise Ross will sing the title role. Whether Tavener's unfashionably convinced religious sensibility will succeed in that secular context remains to be seen. Meanwhile, this *Canticle* can be heard again at the Bath Festival next month, with Tavener's new one-act opera *A Gentle Spirit*, which is based on a Dostoievsky story.

In the remainder of this concert Michael Howard directed the soloists and choir of Cantores in Ecclesia in a cheerful, hard-driven account of Haydn's *Missa Cellensis*, and Margaret Phillips spoiled a crisp account of Handel's Organ Concerto Op. 7 No. 4 with a "contemporary" *ad libitum* movement which sounded like a (rightly) rejected sketch for the Poulenc Concerto.

On Saturday, over a buffet lunch in the hall of the George Hotel, Telemann's delightful intermezzo *Pimpinone* was revived. Designed to be played between the acts of an *opera seria*, this Upstairs-Downstairs story of marital intrigue preceded by eight years Pergolesi's far more popular treatment of the same theme in *La Serva Padrona*. Yet the Telemann has many witty touches lacking in the later work (Pimpinone's mocking of his tormentress, for instance) and an altogether grim, wry ending which produces the best music of the piece.

Elaine Pearce and Stephen Varcoe were the pair of ill-starred lovers, the former almost too strong of voice for the small room, the latter nicely light in tone and conceited in demeanour.

Michael Howard directed the talented young Usher String Quartet. It was a pity that a good English translation could not have replaced the uneasy mixture of German recitative and Italian arias. Over the rest of the week-end George Malcolm, Jennifer Smith, Hans Keller and the Aeolian Quartet have been completing this series of events: an attractive season in a splendid setting.

Coliseum

Our Faust

by CLEMENT CRISP

It takes two to tango and, according to Maurice Béjart, those two are Faust and Mephistopheles—which is probably as good an insight as any into the method Béjart adopts for his *Our Faust*, which completed the Brussels' company repertory at the end of last week. Béjart, ever-willing to take on the big boys of European culture and hold their shoulders resolutely to the floor of the ring for an outright submission, despatches Goethe and Bach without turning *more than a couple of hairs* in the course of this extravaganza.

There is little point in adopting a purist attitude either to Goethe's *Faust*—parts one and two—or the Bach B minor Mass, both of which here receive the full Béjart treatment. Nor is there any use in objecting to the brutal juxtaposition of Argentine tangos which are rammed into the interstices of the mass to highlight the heaven versus hell posture taken by *Our Faust*.

On its own barmy terms, the piece has a good deal of vitality—rather like that of a chicken running about with its head cut off—and Béjart's extraction of message from the enterprise is tantamount to diving into a bran tub and coming up with a handful of bran.

What gives this exercise in intellectual jiggery-pokery of the most facile kind its heart is the enthusiasm of the company for what they have to do, and the central performances of Yann le Gac and Béjart himself. Béjart plays the aged Faust who (I am tempted to write "of course") turns into Mephistopheles, while Yann le Gac starts off as the devil and turns into the young Faust. The merit of this lies in the remarkable interpretations they both produce. M. le Gac is prodigious: a beautifully gifted artist who allies technical bravura with a poignant intensity. Béjart plays Mephistopheles with malign glee, and a *bitter enjoyment in the ironies* of Faust's tragedy.

In the process he also gives two extraordinary Kabuki impersonations as Marguerite and Helen of Troy, and — with le Gac's heart-touching innocence— shows the opposing poles of good and evil on which the staging depends.

Béjart also speaks trilingually—there is a good deal of verbosity *about the evening when the* dance fails to get its message across—and in German, French or English proves a tremendous theatrical presence. For the most part *Our Faust* relies upon the men of the company, as angels, devils, and anything in between (the Walpurgisnacht sequence, all men, and tangos, shows hell as a *louche* bar south of *the border*), *and they dance* splendidly. I, for one, had to pretend that the Bach mass was not being used, although I could have cheered Béjart when he intoned "The world is on the brink of ruin" and one of the more pouting chaps in the ensemble flapped through a classical solo to the *Qui sedes*.

Of such dubious delights is *Our Faust*. There are passing references to Black Masses, Proust, *The Melody of Broadway*, Icarus, the Holy Grail, and a melancholy chunk of Minkus, and it is all good, clean addled fun so long as you do not take it seriously—either as ballet or *Faust*.

Royal Court

Curse of the Starving Class

by B. A. YOUNG

Sam Shepard has given us an old-fashioned story of hard times on a poor American farm such as you might have read in the Saturday Evening Post before the war. The exciting originality of *Tooth of Crime* and *The Unseen Hand* is nowhere to be seen.

The play is set on an avocado ranch in California, no doubt remembered from the author's youth, which was spent on one. Weston, the owner, is a hopeless gambler and boozer. While he is away on a jag, his wife Ella thinks she is going to sell the house and land to a property-developer, Taylor; but in town Weston has made a drunken bargain with Ellis, a club owner to whom he owes money. Let *me not keep you in suspense*: Taylor is seen off and Ellis sends his frighteners to the farm to scare Weston away and ensure the completion of his purchase.

Much happens in between, though. Weston's son, Wesley, *resolves to keep the farm going* and his daughter, Emma, rides a horse through Ellis's bar and shoots up the customers. Weston undergoes a magic reformation and brings himself and his house *to something near respectability*. Ella loses her mind and confuses Wesley, left in his father's ragged greatcoat and red baseball-cap, for Weston himself.

I found it all slow going. The dialogue is as ready-made as the characters, though from time to time each player is given a kind of cadenza that almost recalls how Mr. Shepard can write when he is in better shape. These cadenzas unfortunately don't quite fit the characters. It's not the change of speech pattern I mind, but the change of thought pattern; speeches of such kind *should illustrate personalities*, or at any rate indicate the direction in which such personalities might travel in other circumstances. Mr. Shepard's examples are for show-off. They only confuse things.

They are well enough handled by the company, who do what they can with the stereotyped individuals of Nancy Meckler's rather sluggish production. Brian Deacon, as Wesley, surely *clocks up one for the book by* being the first actor to pee, full frontal, on the stage; elsewhere, he captures the boy's aimless introversion nicely. Patti Love, as his little sister, as confidently dotty as a girl from Saki, gives an entertaining though hardly convincing display, and as their father Dudley Sutton seems to have modelled himself on old-time models, like Will Rogers and W. C. Fields.

The poverty of the farm is hard to imagine. This run-down household has a bathroom with hot water, electric power, a *telephone, an ice box and a car*. A wife as efficient as Annette Crosbie's Ella would hardly have allowed such improbable excesses of hunger to happen.

Festival Hall

NYO

The Rite of Spring provided the hugely exciting finale of this National Youth Orchestra concert on Thursday. It was not only that Pierre Boulez's familiarly crack and orderly signals were encouraging playing of splendid accuracy, acerbity and guts — we have heard many fine performances of the Stravinsky ballet score from professional orchestras under his baton in London. But the sound itself was fatless and also powerful; determined yet capable of luminous clarity (against a string contingent of lighter-than-adult density, the brass punched out some newly hair-raising utterances that were never permitted *to swallow* up the balance); it was this quality, dexterity crossed with the absence of chrome-plated super-polish, that revived the urgency, even the violence in a score recently in *danger of being taken* for granted. No newcomer to it in last night's audience could have been left in any doubt that this remains one of the century's most disturbing, most portentous masterworks.

Such a triumph in Stravinsky proved all the more fortunate for coming after performances of the Bartok Music for Strings, Percussion and Celeste and Berg's violin concerto suggesting that the orchestra was currently a shade under form, and that the affectionate superlatives we normally lavish on the NYO might have to be stored away this once. The first-named received a particularly tentative reading. It was good to be reminded of the many difficulties Bartok has strewn across the paths of the strings, but the effect here was nervous and unmasterful, swimmy in passages that depend for their bite on unflawed rhythmic unanimity. Perhaps the root cause of insecurity was the large number of players fielded; in a chamber-orchestra score, it was the back desks, too far away from the beat, who seemed to be having greatest difficulty in finding it.

I have been hearing the Berg concerto fairly often of late (no complaints intended — I could happily hear it once a week for the rest of my life). Of the young violinists I have encountered who have taken this inexhaustible score into their repertory, Itzhak Perlman's mastery over it seemed the cleanest, the surest, the most invincible. Not the most moving: he was too definite, incising the *flautando* echoes and memories when one wanted a wider range of withdrawn, autumnal shadings. This very forthright reading, though it aligned itself with Boulez's no-nonsense mood, tended to show up the moments of less than firm accompaniment.

MAX LOPPERT

American agencies ordered out of Ethiopia

ADDIS ABABA, April 24.

ARMED GUARDS to-day barred U.S. Information Service employees from their offices here after Ethiopia ordered five U.S. agencies and installations of five other foreign countries to pack up and leave by next Wednesday.

Diplomatic sources in the capital said the consular offices of Britain, Italy, France, Belgium and Sudan, in the north-western city of Asmara, were named with U.S. agencies in an order yesterday to "leave within four days."

A U.S. Embassy official confirmed that Ethiopia, which has recently taken an increasingly pro-Soviet stance, expelled USIS, the American Military Assistance Advisory Group, the U.S. Naval Medical Research Unit, the American Communications Unit near Asmara and the U.S. consulate there.

A published Government statement confirmed the expulsion order but omitted the Asmara consulate from the list of American agencies affected. The embassy official said no reason was given for the demand, which a U.S. State Department spokesman in Washington called "unwarranted."

UPI

Reuter adds: Informed sources say Ethiopia's decision, taken by the ruling Military Council, coincides with U.S. reassessment of its 20-year commitment to Ethiopia in the light of allegations that human rights are being violated here.

Hussein in Washington for key Middle East talks

BY RICHARD JOHNS

WASHINGTON, April 24.

THE U.S. Administration's search for a Middle East peace settlement moves further over the next two days during the official visit of King Hussein of Jordan.

President Jimmy Carter and Mr. Cyrus Vance, the Secretary of State, will want to discuss with King Hussein the crucial question of Palestinian representation in the negotiating process. President Carter has singled out this as one of three key problems in a settlement—together with the need for something near to full Israeli withdrawal from occupied territories and Arab acceptance for a "normalisation" of relations with the Jewish state.

President Carter's advisers are looking to the Arab leaders to help reconcile King Hussein and the Palestinian Liberation Organisation would have to cooperate as part of any political arrangement. The Hashamite monarch held talks with Mr. Yassir Arafat, chairman of the PLO, early in March.

In a little-noticed statement made at Dobbins air base, Georgia, just before Easter, President Carter said that the Palestinian's voice would have to be heard either directly or by proxy at a reconvened Geneva Conference.

King Hussein was scheduled to arrive here this evening only a day after the departure of Mr. Abdel-Halim Khaddam, Syrian Foreign Minister, who discussed with President Carter his forthcoming talks in Geneva on May 9 with President Assad. Mr. Yitzhak Rabin, who resigned from the Israeli leadership just over two weeks ago, and President Sadat of Egypt have already been here. Towards the end of May Crown Prince Fahd of Saudi Arabia will pay an official visit.

Syrian tanks hunt Beirut killers

BY IHSAN HIJAZI

BEIRUT, April 24.

SYRIAN TROOPS of the Arab League peace-keeping force to-day used tanks and armoured cars to cordon off two areas in a Muslim quarter of West Beirut and, after a shooting battle, arrested four men reported responsible for murdering two Syrian soldiers on Friday.

The four men were officially described as members of a breakaway Palestinian organisation. The Syrian forces began a drive at dawn to-day to apprehend other men who supported the four during the fighting. An official communique broadcast on Beirut Radio several times, urged the public to avoid Corniche Mazraa and Barbir Quarter until the "combing operation" is completed.

Informed sources said the four men involved belonged to the General Command faction led by a man known as Abul Abbas, who supports the regime in Baghdad and is a member of the militant Palestinian Rejection Front.

The General Command has split into two factions, one supporting Abul Abbas and the other the Command's founder, Captain Ahmed Jebril, who is aligned with Syria.

In the past two weeks, members of the two rival factions clashed here and in South Lebanon several times. Beirut this morning resounded to the sound of machine gun fire and 50 mm. guns as the Syrian troops carried out their security dragnet.

Meanwhile, a refurbished unit of the Lebanese Army is to be sent to Southern Lebanon, probably in the next few days, to maintain law and order there. Initial arrangements for the dispatch of about 500 men were reported to have been discussed at a meeting here yesterday between President Elias Sarkis and Col. Mohammed al Kholy, a special Syrian envoy.

Eban's U.S. currency holdings illegal

By L. Daniel

JERUSALEM, April 24.

MR. ABBA EBAN, formerly Israel's Foreign Minister and one of the Labour Party's leading triumvirate for the forthcoming general elections next month, met Treasury officials here to-day following the receipt of an anonymous letter in Jerusalem accusing him of illegally holding foreign currency abroad.

But a Treasury spokesman last night denied reports of an investigation into Mr. Eban's two foreign currency accounts, opened under a permit issued by the Israeli authorities 10 years ago, in connections with his literary and academic activities abroad.

The maximum infringement, it appears, is that Mr. Eban failed to renew the permit in 1975, but the Treasury spokesman said the need to do so had not been sufficiently publicised and that many people were unaware of the requirement.

After the receipt of the anonymous letter was broadcast by Israel Radio, Mr. Eban immediately issued a statement saying "the accounts have been maintained for nearly 10 years in accordance with the declaration and permit required by law.

"Transfer of funds from these accounts to Israel has been made continuously and openly through Bank Leumi le'Israel in Israel. It is evident that the Bank also acted in accordance with the same declaration and permit."

Demonstrations banned in Rome, students warned

BY DOMINICK J. COYLE

ROME, April

THE ITALIAN Government has banned all public demonstrations in Rome until the end of next month, after an emergency meeting of Ministers at the week-end.

In a related move following the death of a policeman, shot in a violent student demonstration at Rome University last week, the Interior Minister, Sig. Francesco Cossiga, announced police will in future fire on student demonstrators using weapons. "This is not an appeal, but a warning," he said. "I am addressing it to young people, to the families of young people, keeping in mind that when hand-grenades are used, and steady use is made of firearms, it is no longer a case of student protest demonstrations.

"These demonstrations will be regarded from now on as armed aggression against the State, and I will instruct police to react as they should react against armed aggression."

Rome University, which was also the scene of serious rioting last month when a wave of student and associated violence swept through major Italian cities, notably Bologna, has been closed temporarily. The academic council is to meet to-morrow to decide whether to reopen the University this week, or effectively to keep it shut down until July.

Meanwhile, the students' assembly meeting yesterday decided to ignore the Government's ban on public demonstrations, while the country's three main trade-union confederations are seeking an urgent meeting with the Interior Minister to try to get the ban lifted for to-morrow, Liberation Day, and for Sunday next, May Day. An unauthorised demonstration on either day could obviously provoke a crisis—which the Government is anxious to avoid.

Opposition political parties, notably the Communists and the Socialists, have attacked the ban while joining with the ruling Christian Democrats in roundly condemning all acts of violence. The Communists and Socialists, whose tacit support in Parliament keeps the minority Government of Sig. Giulio Andreotti in office, have called the ban "dangerous," but for the moment, anyway, they stopped short of threateni Government crisis.

This is primarily becau current talks between various democratic partie the creation of a new Go ment majority, in effect attempt to win all-party a ments on a legislative gramme covering addit anti-inflation measures, law order, educational reform, steps to reduce Italy's r unemployment.

Thousands of unempl workers paraded in N yesterday in a mass demon tion organised by the Communist Party and the trade unions, but many of placards carried in the pa pointedly expressed "solida with the police and oppositi violence.

The Interior Ministry and police appear satisfied that e Parliamentary extremists infiltrating student protests exploiting disagreements the educational reforms nounced recently by Sig. Fr. Maria Malfatti, the Educ Minister.

Carter energy plan means '600 more N-plants'

BY DAVID FISHLOCK

WASHINGTON, April 24.

PRESIDENT CARTER'S policy for energy independence implies that the U.S. must build about 600 more nuclear plants by the end of the century, even assuming the most optimistic estimates for energy saving and contribution from other sources, a Congressman told an energy symposium here at the week-end.

Representative Mike McCormack, the Democrat member for Washington State, warned that the best estimates of proven U.S. uranium reserves were enough to supply fewer than half this number of new nuclear plants.

In his anti-proliferation nuclear statement released just before last week's energy policy plans, President Carter promised to expand U.S. capacity as a world nuclear fuel supplier in an effort to discourage other nations from recycling nuclear fuel.

Mr. McCormack, addressing 150 energy experts at a meeting convened by the Washington newsletter The Energy Daily, to discuss the proposed new U.S. energy policy, contended that it was "taking a wholly unacceptable risk" in assuming that the U.S. would have enough nuclear fuel without reprocessing and the fast breeder reactor.

He accused many of those whose views were heard on energy policy of a total lack of appreciation for engineering. "You cannot turn technology on and off," he said.

He believed that the U.S. could afford no delay at all in fast breeder reactor development if it were to be sure of adequate energy from nuclear sources.

A view widely held at the symposium was that President Carter's energy policy was a charter for nuclear energy, albeit drafted deliberately in low key to try to placate anti-nuclear lobbies, and thus prepare at this stage to shelve the advanced nuclear technologies—the fast breeder reactor and reprocessing.

The energy policy states specifically that light water reactors—the types on which the U.S. is expected to depend—represents no hazard to nuclear proliferation, even though they produce plutonium.

Neither was the fast breeder reactor itself considered to be a proliferation hazard, a U.S. Government energy official told the meeting. But it was assumed that anyone wanting the fast breeder reactor would also want reprocessing technology in order to take advantage of its ability to conserve nuclear fuel.

Mr. Gorman Smith, a senior executive from the Federal Energy Administration, said that the biggest risk to Congressional acceptance of the energy policy was that it would be debated piecemeal by interests who saw themselves as severely affected. He implored those present to help prevent this from happening.

Soviet fuel output drop sharply

SOVIET industrial output fulf the Kremlin's expectations in first three months of this y but official figures show the duction growth rate decline several key industries, Re reports from Moscow.

The Government daily Izve which published the figures, industrial production rose 5.6 cent. above the first quarte last year, meeting the off target. But the oil, gas electricity industries grew a much slower rate than for 1976 period. Output of oil gas condensate rose by 5m. to during the first quarter of year, but this represented aln a 50 per cent. drop in the rat growth.

Iran jail inquiry

An International Red Cross te is in Iran investigating pri conditions, Robert Graham rep from Tehran. The team has b here for nearly a week and believed to be part of a n effort by Iran to improve human rights image. Any rep will be published only with consent of the host governme

Perez in Kuwait

President Carlos Andres Perez Venezuela met Sheikh Sabah Salim al-Sabah, Emir of Kuw yesterday on the second stop a six-nation Middle East trip try to resolve the OPEC oil pri ing dispute and discuss aid developing nations, Reut reports from Kuwait.

IMF credit for Egyp

The International Monetary Fu has finally approved, after mo than a year of talks, the stand arrangement with Egypt entitl it to $125m. worth of spec drawing rights, Richard Joh reports from Washington.

Hua cult promoted

Chinese newspapers were fil with photographs of Chairm Hua Kuo-Feng yesterday furth promoting the personality c built around him since succeeded the late Mao Tse-tu last October: the People's Da alone published 16 pictures him in Mao-style poses taken the Taching oilfield where national industrial conference in session, while the Peking D Guang Ming devoted almost entire four pages to pictor converage of Mr. Hua, Reu reports from Peking.

Dissidents held

Five members of the dissid Polish Workers' Defence Comm tee, including the committ leading spokesman, Mr. Ja Kuron, are being held for q tioning after being arrested week-end police raid on apartment here, Reuter rep from Warsaw.

Rhodesian deaths

The Rhodesian military comm said yesterday Rhodesian tro in the past four days killed black nationalist guerillas two African women help them, UPI reports from Salisb

EEC farm price talks

BY ROBIN REEVES

BRUSSELS, April 24.

AGRICULTURE Ministers of the Nine assemble in Luxembourg to-morrow, to conclude, it is hoped, their annual EEC farm price negotiations, broken off last month as a result of British insistence on a heavy Brussels-financed butter subsidy to offset general price increases in the U.K.

Barring a last-minute hitch, overall agreement is expected on a prices package which includes a more modest subsidy than the 20p a pound originally demanded by Mr. Silkin, the U.K. Minister of Agriculture, in March. This would be in exchange for agreement to a 3½ per cent. average rise in EEC farm prices and a devaluation of the green pound of up to 4 per cent.

The anger among other EEC member States at Mr. Silkin's exceptionally tough stance, and U.K. Government fears of retaliation against Britain in other areas of Community policy if the impasse continues, seems to have led to a more conciliatory attitude.

The 8½p a lb butter subsidy now reported acceptable to the Government is not much above the Brussels Commission's "final offer" towards the end of the abortive March negotiations. But at the time even this subsidy was considered too generous by other EEC farm Ministers.

In the circumstances, to-morrow's Council could see some last-minute horse trading over the relative sizes of the butter subsidy and the green pound devalution. The Brussels Commission's 13-man executive is due to meet here to-morrow morning to discuss the issue, before Mr. Finn Gundelach, the Commissioner for Agriculture, leaves for the start of the Council in Luxembourg in the afternoon.

The effect on U.K. food prices will not become clear until details of the final compromise emerge. But with the U.K. facing the last two stages of its transition to full EEC price levels in the next 12 months, as well as increased common EEC prices and some adjustment in the green pound, some rise in the cost of the U.K. food basket is inevitable.

Vietnam PM returns to Paris after 30 years

BY ROBERT MAUTHNER

PARIS, April 22.

MR. PHAM VAN DONG, the Vietnamese Prime Minister arrives here to-morrow on his first visit to the West since the Vietnam War ended two years ago. He has not been to France, the former colonial power in Indo-China for 30 years, and his three-day official visit to the French capital will clearly have a greater emotional content than is usual on such occasions.

Relations between Paris and Hanoi were "normalised" much earlier than those between Vietnam and other Western countries, because France condemned the U.S. military intervention in Vietnam from the start and was the host to the long-drawn-out Vietnam peace talks. Moreover, the way has been cleared for increased economic co-operation between the two countries by the signature here to-day of an agreement under which France will lend Vietnam Frs.650m. (about £58m.) to buy French industrial equipment.

The Vietnamese Prime Minister's visit will also set the stage for talks in Paris early next month between Vietnam and the U.S. to prepare the ground for a resumption of diplomatic relations and an agreement on U.S. economic and financial aid to Vietnam.

In an interview with the Paris paper Le Monde at the week-end, Mr. Pham Van Dong said Vietnam faces enormous difficulties in all areas of its task of national reconstruction, but these were growing pains which the country could overcome progressively. Targets for the first year of the current five-year development plan have already been achieved and surpased in many sectors, he added.

He denied accusations that Vietnam is giving direct support to revolutionary movements in South-East Asia, particularly in Thailand. "Such accusations are absolutely baseless," he said. "Our revolution is not for export. We respect the independence and freedom of other countries as much as we do our own."

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Cancelled Algeria contract leads to loss of U.K. jobs

BY EIRENNE FURNESS

ALGIERS, April 24

SONATRACH, the Algerian national oil and gas company, has cancelled its contract with Pritchard-Rhodes, the British subsidiary of the American company International Systems and Control for construction of two major liquefied natural gas plants at Skikda in eastern Algeria.

Pritchard-Rhodes signed the contract for Skikda 4 in 1971 and for Skikda 5 and 6 in 1972. Each liquefaction train should produce 1.3bn. cubic metres of gas a year. Skikda plant No. 1 was built by the French company Technip which ran into a lot of technical trouble before finally completing its project.

Sonatrach has reproached Pritchard-Rhodes with being three years behind the scheduled completion date and with unsatisfactory production from Skikda No. 4. However, the contract has been terminated without any serious problems unlike the contract that Sonatrach cancelled with Chemico for LNG No. 1 at Arzew in western Algeria which has resulted in Sonatrach suing General Tyre, the company that took over Chemico.

The American company Pullman Kellogg is to take over construction of Skikda 5 and 6 at a price of about $300m. per train according to sources in Algiers. Pullman-Kellogg has already contracted to build LNG No. 2 at Arzew on a cost-plus basis at a price of more than $500m.

Sonatrach admit they have had a lot of problems with the gas liquefaction units at Skikda but do not confirm allegations that the Skikda plant will never produce the amounts originally scheduled because of the problem of heat exchange equipment.

Pritchard-Rhodes has filed a law suit in an American court against the Trane company responsible for heat exchange units which they say were not up to specification. But Pritchard-Rhodes said the matter *was decided with Algeria on a friendly basis* and it will not be "a major loss-maker" for the company.

In London the company confirmed a report by the magazine Chemical Age, that Pritchard-Rhodes *is to be wound down*, with the loss of about 50 jobs. By the end of the year, the company will be reduced to the status of a sales and process office, with a staff of about 20.

The company was awarded the contract for Skikda 4, which has caused all the problems, in 1971. The contract for Skikda 5 and 6, which has now been transferred to Kellogg, was awarded in 1972, and was then worth £50m. Construction of these two plants has just begun.

EEC competition policy 'the key to prosperity'

BY ROBIN REEVES

BRUSSELS, April 21.

THE EUROPEAN Commission believes "a firm and consistent" competition policy is more vital than ever, if the EEC is to overcome its economic, monetary and social difficulties, M. Raymond Vouel, the Brussels Commissioner responsible for competition matters, has said here.

He recognised there was a temptation, *in the current recession*, to take what looked like the easy way out and seek to *solve economic and social problems* by stepping up national protectionism, both against other EEC countries and against the rest of the world.

"But I think this approach is a self-defeating one: protectionism and market fragmentation will not help us out of our difficulties and the temptation should be resisted," he said.

M. Vouel was in no doubt that the free movement of goods and services which the Common Market allowed was essential, if the consumer was to be able to choose freely and buy on the best terms available.

"Apart from contributing to the fight against inflation, this will also help to ensure a fair share of the economic benefits of the Community is given to the consumer," he said.

Only if the Commission, using its powers under the Rome Treaty, to enforce competition policy, saw to it that business was *competitive*, could the community be sure of future growth and, at the same time, secure full employment in conditions of human dignity and satisfaction, he declared.

Outlining the Commission's sixth report on competition policy which has just been sent to the European Parliament, M. Vouel emphasised the growing attention the Commission wished to pay to the interests of the *small and medium-sized firms*; its intention to recommend the introduction of a "European guarantee" for products sold under guarantee; its anxiety to see the adoption of the proposed merger control regulation; and the importance the Commission attached to upholding fair competition in the field of regional and industrial aid granted by member Governments.

"Measures achieving no more than to preserve the status quo but hitherto accepted for chiefly social reasons, will now have to give way to measures designed to stimulate the far-reaching changes necessary in the Community's industrial structure," M. Vouel warned.

U.K. delegation for Cairo

A DELEGATION of ten leading British companies is visiting Cairo for four days of discussions with the Egyptian Government and leading local business interests which may lead to substantial joint ventures between this country and the Arab Republic of Egypt.

The mission has been organised by the Committee for Middle East Trade (COMET) in London and will be led by Lord Selsdon, of the Midland Bank Group. The mission secretary is Mr. J. Myall of the Department of Trade.

The delegation results from a meeting of the Arab Republic of Egypt—United Kingdom Joint Co-operation Commission in London last November, who reviewed the progress being made in the negotiation of joint venture agreements.

They agreed that a useful stimulus might be provided for the conclusion of agreements if a mission of British firms interested in specific joint-ventures was to visit Egypt for this purpose.

The Committee for Middle East Trade in the United Kingdom readily agreed to organise such a mission.

The interest of the British companies is prompted by the Egyptian Government's "Open Door" investment policy. This gives expression to Egypt's desire to attract Western investment and thus to mobilise capital and expertise urgently needed for the country's re-development.

Congestion in ME eases

By Our Shipping Correspondent

THE CONTINUING improvement in turn-round times for cargo vessels to Middle Eastern ports is reflected in the halving, to 15 per cent, of the congestion surcharge at the Port of Aqaba.

Members of the U.K.-Jordan shipping conference say that the new lower surcharge—it was as high as 50 per cent. at the beginning of the year—will apply to all cargo shipped by vessels commencing to load in U.K. ports from to-day.

Brazil cuts steel target

BY SUE BRANDFORD

SAO PAULO, April 24.

BRAZIL'S ambitious target of producing 40m. tonnes of steel per year by 1986 has been cut by 7 per cent to 37m. tonnes. This was announced recently by Sr. Calmon de Sa, Minister of Industry and Commerce, at the steel congress in Rio de Janeiro.

Under the revised plan, Brazil should be producing 28m. tonnes by 1983, which is also down on the earlier figure. Investments of about $20bn. are anticipated *under the new plan which still* involves a very large increase in output as Brazil produced 9.2m. tonnes (in ingot equivalent) last year.

At present, steel is one of the biggest items in the country's import list, accounting for $550,000 last year, with the purchase of 1.1m. tonnes of steel.

Contracts

● A £500,000 export order for over 1m. rail anchors to be made at their Wrexham factory has just been awarded to Portec (U.K.). *This order for rail track* components, which comes through the U.S. parent company, Portec Inc., is for CONRAIL—the reconstructed railroad system serving the North East sector of the United States.

● France has signed a financial protocol with Vietnam to provide credits for the purchase of French goods and services, the finance ministry said. A spokesman said the credits *will total* about Frs.650m. but gave no details of the period over which they would be available.

● Forster Wheeler Italiana has won a contract from the National Oil Corporation of Libya for a $150m. urea factory. The Italian planning company, a subsidiary of the Foster Wheeler of the U.S., will also purchase materials and equipment for the Libyan plant, whose production would be 1,000 tons a day. The chief suppliers of equipment and materials will be Italian companies.

● A Middle East sales drive started last summer after the end of the Arab boycott of British Leyland companies has so far won more than £2m. in new orders for Goodwin Barsby of Grantham, Lincs. Recent contracts awarded up to the end of March include a mobile asphalt plant for Qatar, and a mobile crushing and screening plant for Dubai. A large mobile crushing and screening complex is also being supplied to Riyadh, Saudi Arabia.

World Economic Indicators

INDUSTRIAL PRODUCTION 1970=100

	Feb. '77	Jan. '77	Dec. '76	Feb. '76	% Change on year
U.K.	104.0	104.3	103.2	102.6	+1.4
Holland	115.0	113.0	120.0	111.0	+3.6
W. Germany	112.0	107.4	109.6	108.5	+3.2
Italy	126.7	123.9	129.8	115.5	+2.5
Japan	127.7	128.6	128.8	118.2	+8
France	127.0	130.0	124.0	120.0	+5.8
U.S.A.	127.1	125.5	126.7	121.5	+4.6
	Dec. '76	Nov. '76	Oct. '76	Dec. '75	
Belgium	107.3	126.0	127.1	101.0	+6.2

Gloom mounts over aerospace exports

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE DECLINE in exports of new aircraft by the U.K. aerospace industry in the first two months of this year is the first significant manifestation of what is becoming one of the most serious problems confronting the U.K. industry—shortage of work on the civil side, with no immediate prospects of any improvement.

The figures issued by the Society of British Aerospace Companies, based on Customs and Excise figures, show that for the first two months exports of all kinds amounted to £141.6m., compared with £147.6m. in the comparable period of 1976. But within that total, exports of aircraft and parts declined from *nearly £75m. to £62m.*

A bright spot was the engine side, with exports rising from £63.9m. to over £67m., largely due to a continued high level of work on repairs, overhauls and general refurbishing of engines originally sold some time ago—although continued deliveries of new Rolls-Royce RB-211s to the U.S. for the Lockheed TriStar programme also helped to keep the figure buoyant.

Against these export figures there must be set the import bill, which in the first two months of the year amounted to £120.6m., resulting in a net external surplus on aerospace *account of only £20m.* For the whole of 1976, the U.K. industry was in surplus to the extent of £309m., with exports of £904m. set against imports of £595m.

These figures are deceptive, because they include, on both sides of the account, the value of parts shipped overseas and imported for the wide range of civil and military collaborative programmes on which the U.K. industry is engaged.

In strict accounting terms, an item for, say, an Anglo-French Jaguar jet strike-trainer, or a Panavia Anglo-Italian-West German Tornado multi-role combat aircraft, made in the U.K. *and shipped overseas to the* collaborative partners in the programme concerned counts as an export, and appears as such in the figures. Against this must be set other parts for the same programmes made overseas and imported for use on the U.K. production lines. A similar situation exists on the civil side with, *for example, the Anglo-French* Concorde.

True level

Thus, the true level of the industry's export performance is *masked, and is only revealed by* a close examination of the statistics. These show that out of total aircraft exports in January/February, new aircraft accounted for only £15.3m out of the £62m. total, the rest being parts at *nearly £47m. Similarly, with* engines, only £20m of the first two months' figures of over £67m. was accounted for by "new" engines, the rest being "other than new"—that is repaired and overhauled—engines at over £14m., and parts at £33m.

This true export performance is swiftly and drastically offset by the import situation. While it is true that the import figure also contains a substantial amount of parts brought in for the U.K.'s share of collaborative programmes, it is also true that continued big purchases by British airlines of foreign aircraft make big holes in the external payments. A major contributor to the January/February imports bill was the British Caledonian delivery of a *McDonnell Douglas DC-10*, at a total cost including spares of around £20m. A second DC-10 for *British Caledonian comes in late* April, so that for the first few months of 1977 the import bill will rise by close to £40m.

Similarly, in late April, British Airways is due to take delivery of the first of six Boeing 747s with Rolls-Royce engines. Despite the engine content, this will mean a further dent in the *aerospace balance of payments* of upwards of close to £15m. (the lower cost compared to the B.Cal DC-10 being due to the fact that BA already has a big 747 fleet and does not need to buy so many initial spares as B.Cal). Looking further ahead, Laker expects to take delivery this year of a *fourth* DC-10; BA *will take more of its 747s; and* Britannia Airways is expected to take more Boeing 737s.

There is nothing wrong in this. The U.K. airlines desperately need these aeroplanes, which the U.K. industry cannot provide, since Britain is now out of the "big league" in civil aircraft manufacture. What is worrying *many in the aerospace* industry, including those in the nationalised British Aerospace (which is now responsible for the future activities of the main manufacturers, British Aircraft Corporation and Hawker Siddeley Aviation), is that there is little immediate prospect of any significant improvement in the U.K.'s civil aircraft manufacturing and exporting performance. Currently, the Hawker Siddeley Trident order book is being rapidly worked through, there have been no new orders for One-Elevens beyond that recently from Tarom of Romania; no buyers have yet merged for the *remaining five Concordes waiting to be sold*; and orders for HS-748s and HS-125s continue, *but at a comparatively low level.*

Lord Beswick, chairman of British Aerospace, and leaders of the main manufacturers who now are under his wing, have been trying for months to arrange collaborative programmes with U.S. and European manufacturers on new generations of civil jets for the the 1980s. *Everyone knows that* long-term the market will be there—estimates put the size of demand in the 1980s world-wide at as high as $53bn. in 1977 dollars, or about 3,000 aircraft.

No cohesion

But, so far, there is little political, and even less, manufacturing, cohesion in the European aerospace industry on the future of the civil side, contrasting sharply with the highly *organised military collaborative* programmes that exist. The big *exception is the* Hawker Siddeley participation in the European Airbus, the one rock around which many in the U.K. feel a future new European civil partnership could and should be built, with some good ideas for new derivatives of the Airbus both in the long and short-haul fields.

The U.K. is paying close attention to the possibilities of joining in programmes with the U.S.—either with Boeing, Lockheed or McDonnell Douglas—or all three—on prospective new civil ventures. But the airlines are reluctant to commit themselves because of their own *financial difficulties, and so the* makers are in turn reluctant to settle on final designs. At the *same time, the U.S. companies* are looking askance at Britain's industrial relations record, the most recent manifestation of which is the British Airways dispute, closely following British Leyland.

In fact, observers of the civil aviation scene detect an increasing tendency for the U.S. *companies to tone down their* original enthusiasm for collaboration with the U.K. or Europe, with suggestions that they might be better advised, after all, to go-it-alone inside the U.S. The would-be U.K. and *European collaborators are now* having to make much more of the running than they did even a year ago.

At the same time, the U.K. industry is feeling the pinch, with labour lay-offs already announced at BAC and HSA, and the likelihood of more to come unless some new work can be *pumped in soon—for example,* on the HS-146 feeder-liner programme. This is the measure of the problem that Lord Beswick and his colleagues face at British Aerospace, as they move closer to Vesting Day on April 29.

HOME NEWS

Tory move on prices Bill may upset some groups

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE Conservative Party's decision to put down a reasoned amendment to the Price Commission Bill, to be debated on Wednesday, rather than voting against it may disappoint some companies.

Some would undoubtedly prefer for the Tories to try to throw out the whole Bill. But the amendment is probably as much as the Confederation of British Industry expected, and will echo much of its own opposition to the legislation.

It also reflects the view within the Conservative Party that some kind of temporary price control is necessary to get another round of wage agreements, and that it might damage the party's electoral chances if it were seen to launch a blanket opposition to price controls.

The amendment will allow the Tories to be more selective in their attack than an all-out vote against the Bill.

The legislation will give a revamped Price Commission wider powers to investigate prices against a much less specific set of criteria than at present.

At the same time, the Government will be given wider powers to freeze prices — for up to 12 months — on the commission's recommendation, while the present controls on profit margins will be extended.

Attack

The proposals have been bitterly attacked by industry, on the ground that they go far further than is necessary merely to provide a *quid pro quo* for wage restraint, and that they will, by their very flexible nature, make it impossible for companies to plan for the future.

At one time, the Tories were believed to be considering putting down an amendment which would have limited the lifetime of the new controls to the existence of a wages policy. But this now seems to have been changed to a more general attack on the permanent nature of the proposed powers.

The Liberals still have not decided their strategy. But if, as seems likely, the Tories lose the amendment, the Bill will then go to committee. Here the Conservatives are likely to press for a number of changes along the lines proposed by the CBI.

These are expected to include a further attack on the permanency of the powers, and demands to drop the proposed powers to freeze a company's prices while they are investigated by the commission.

The Tories are also expected to urge the Government to expand on the proposed criteria and safeguards, preferably by writing more detail into the Bill.

Conservatives prepare retreat on Scottish devolution policy

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE CONSERVATIVE Party is preparing a retreat on its devolution policy which will enable a future Tory Government to put off the issue indefinitely.

The party has chosen a motion for the Scottish conference next month which calls for a "searching re-examination of the entire structure of government" before new proposals are drawn up.

It has been selected from more than 50 motions put forward by constituencies and resembles closely the line that the Shadow spokesman, Mr. Francis Pym, is expected to take when he replies to the debate.

The party has been committed to some form of devolution since Mr. Heath's "declaration of Perth" in 1968. But Mrs. Thatcher, Opposition leader, is decidedly cool on the issue and has been seeking some way of burying it without splitting the party.

This motion could be the answer. Mr. Russell Fairgrieve, MP, the Scottish chairman, and a strong pro-devolutionist, said yesterday that he would be able to support it since it would enable existing policy to be fought out more clearly and modified to incorporate change in local government and representation in Europe. The Douglas Home proposals which have hitherto been party policy, might now be out of date, he said.

Mr. Teddy Taylor, MP, Shadow Cabinet Scottish spokesman, said he was hoping the Conference would lift the morale of the party and heal the wounds of devolution.

"If we can get the Conference pretty unanimously behind a line on the vexed question of devolution, then we can go ahead."

He added that a future Tory Government would not rush into a devolution Bill. "It is not a question of who has got the best slogan, but whether we can get something that works. I hope we are at least a responsible party which will make things better for the people of Scotland."

Mrs. Thatcher and Sir Geoffrey Howe, the Shadow Chancellor, are also to address the Conference.

New code planned for loans to local councils

Financial Times Reporter

A NEW voluntary code of practice for local authority borrowing is to be discussed to-day at a meeting between the Treasury and councils.

The code has been drawn up by council officials in an attempt to meet the Government's growing concern at local council's increasing resort to shorter term loans in a period of high and rapidly changing interest rates.

If approved, the code would set new rules for local councils' long-term borrowings.

Concerned

As well as needing Government permission, the draft code has to be approved by all the local authority associations. It was learned over the week-end that several local authority leaders are concerned at the prospect of having to pay heavier interest charges if their debt profiles are lengthened.

Against this, it is being said that a voluntary code—which would require councils to achieve an average maturity of four years for new long-term loans this year, rising in stages to an average maturity of seven years from 1980-81—would be preferable to Government controls.

To-day's meeting is exploratory. It is likely to be several weeks before the fate of the proposed code is decided.

National Savings record

By Christopher Hill

NATIONAL SAVINGS last year had a record 12 months—because of the outstanding sales success of National Savings Certificates.

For the 52 weeks ending March 26, it is estimated that there was a net inflow of £694.3m. from all sources compared with £360.9m. for 1975-76. National Savings Certificates accounted for £732m. compared with £186m. last year and the final total is expected to top £800m. since there was a rush for the 16th issue during its last few days.

Even on the figures available, March alone shows the best results recorded for Savings Certificates—receipts exceeding repayments by £186.9m.

Restored

The reason for the success of the certificates was almost entirely due to the attraction of the 16th issue which came towards the end of last year for a limited period to the end of March. It seems that sales of certificates are now more normal. The less attractive 14th issue has been restored.

Together with estimated net accrued interest of £418.1m., the total receipts for 1976-77 are more than £1.1bn., also a record. The previous record was £730m. in 1972-73. The total money invested in all forms of National Savings is nearing the £13bn. mark.

Road haulage chief says rail no alternative

Financial Times Reporter

NO CONCEIVABLE growth in rail traffic would make more than a marginal difference to the volume of goods which must be transported by road, because of the extent of the existing rail network and the location of industry, Mr. Jack Male, national chairman of the Road Haulage Association, said in Leeds on Saturday.

"Any major extension of the rail system would involve environmental costs at least as high as those which would result from extending the road network and would have serious economic disadvantages," he told the annual dinner of the RHA Yorkshire (Leeds) Area.

"The strongest weapon in the road haulier's armoury in justifying the growing use of commercial vehicles is the sure knowledge that the demand for freight transport is inevitably linked with the demand for goods to be carried and must increase with the upturn in Britain's gross domestic product."

Mr. Male acknowledged that there was "considerable scope for improvement in vehicle design and operating practice which could reduce noise, air pollution, accident involvement, vibration, road wear, and delays caused to other road users."

Labour victory 'stopped Iran investment in U.K.'

FINANCIAL TIMES REPORTER

MAJOR Iranian investment in British companies such as British Leyland, Alfred Herbert and the aircraft manufacturers could have been negotiated had it not been for the Labour victory in the 1974 election, claims Mr. Peter Walker.

The former Secretary of State for Trade and Industry in the Heath government, makes the claim in his new book The Ascent of Britain, published to-day (Sidgwick and Jackson, £5.50).

Mr. Walker refers to the meeting he held with the Shah of Iran in St. Moritz in January 1974, at which industrial co-operation was discussed. Iran wanted industrial machinery which the U.K. could supply, while there were a number of British industries which needed capital.

The Shah agreed that Iran make an equity investment in certain companies and it was up to Mr. Walker and the Iranian Minister of Economics, Mr. Hushang Ansary, to advance it. However, a general election took place and the spirit of partnership did not develop with the incoming Labour government.

Mr. Walker says that the Shah considered that for some of his procurement programmes he would be better served by other countries.

Budget figure 'too high'

BY MICHAEL BLANDEN

THE BUDGET estimate of the public sector borrowing requirement for the current year at £8.47bn. is too high, suggest stockbrokers L. Messel in their latest review of the gilt-edged market.

It should be reduced to about £7.6bn., leaving scope for the Government to cut taxes further within the present forecasts, they say.

On this basis, the authorities needed to sell about £300m. of gilt-edged stocks each month to reach their financial objectives. Making an allowance for redemptions, this would be compatible with the required net gilt-edged sales of between £3bn. and £3.5bn. in 1977-78.

LABOUR NEWS

Jaguar car strike to continue

By Our Labour Staff

EIGHTY internal drivers whose strike has shut the Jaguar car factory in Coventry decided yesterday to continue the dispute at least until to-morrow when shop stewards are due to meet the management.

The six-day-old strike over upgrading of wage rates has caused the lay-off of more than 4,000 workers.

Shop stewards representing 1,000 engineers and maintenance men on strike at Ford's Halewood factory will meet to-day after unofficial talks with management.

Inconclusive

Ford said that more formal talks between management and union officials might take place to-day, but the week-end's negotiations had been "largely inconclusive."

The dispute, which has caused a production loss of Escorts and Transit vans worth more than £10m., centres on disciplinary procedures and company recognition of a skilled union shop steward in the factory's body plant.

National union officers have been called in to help settle the long-running dispute at Massey-Ferguson's Coventry plant. A recent strike there cost more than £80m. in tractor sales.

Boilermakers 'would benefit'

BY OUR LABOUR STAFF

THERE WOULD be "tremendous benefits" for the 136,000-member Boilermakers' Society if it merged with the General and Municipal Workers' Union, Mr. John Chalmers, general secretary of the society, said yesterday.

Merger talks between representatives of the two unions had been taking place over the last two months, Mr. Chalmers said. There was a long way to go, but so far there had been "no disagreements."

A large number of redundancies face the boilermakers, but Mr. Chalmers denied that his union was looking towards the financial security of the 880,000-strong GMWU. The benefits for the society would be in research and education, and its independence would remain.

The General and Municipal, which has been striving towards a membership of 1m., suffers from having its members spread very thinly over a large number of work sectors. Taking in the boilermakers would bolster its industrial base and strengthen its already established influence in engineering.

A merger, while pulling the GMWU much closer to the 1.4m. engineers, would still leave it a long way off the Transport Workers, which has more than 1,850,000 members.

Port Talbot talks to-day

BY OUR LABOUR STAFF

THE EXECUTIVE of the Electrical and Plumbing Union is due to meet to-day to discuss the unofficial strike by 520 of its members which has shut the Port Talbot steelworks and caused 6,700 men to be laid off.

The electricians, who walked out more than four weeks ago in a dispute over pay differentials, say that they will not go back until the British Steel Corporation puts forward firm proposals.

To-day's meeting will hear a report from Mr. Bernard Clarke, South Wales union executive, who met the Port Talbot strike committee on Friday, but failed to persuade shop stewards to end the dispute.

Affiliation 'approved'

BY DAVID CHURCHILL, LABOUR STAFF

THE CONSERVATIVE PARTY leadership has given its approval to a bid by senior civil servants, including many permanent secretaries, to affiliate to the TUC.

Mr. James Prior, Shadow Employment Secretary, has told the 10,000-member first division association that affiliation "would not put at risk the independence and political impartiality of the Civil Service, the association, or of individual officers which it is so vital to maintain."

Mr. Prior, who said that he was speaking on behalf of the Conservative Party, pointed out that a future Tory Government would almost certainly continue to "consult extensively with the TUC, CBI, and others." Affiliation by the association "would strengthen the representativeness of the TUC."

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● BANKING

Transactions made on the spot

MANY OF the several hundred of small banks in the U.K. have had their interest sharpened by the offer originated by CMG (City of London) to provide "instant" banking services from a central point, using shared computing power that only much larger organisations could afford to have installed and operate.

INTABS, for international terminal accounting and banking service, will provide management accounting and current accounting support, together with foreign exchange operations control, Eurodollar transactions and loans and deposits accounting.

Banks would pay only for the service and the degree of sophistication required by the user.

Management can be sure of obtaining vital figures before opening for the day's business. For instance, information for Bank of England returns is a feature of the service and is produced automatically on the due date.

At the same time, the computerisation of input to the centre eliminates many clerical errors and provides an inestimable safeguard as to the correct routeing of funds transfer.

Operating in realtime on banking terminals, INTABS is of most significance to banks operating private and corporate current accounts and who need a combination of credit control and up to date statements produced on request. Realtime operations have been running in the U.S for some time and have not progressed in Britain largely because of the dominance of the big clearing banks.

Once the international banking transfer network SWIFT becomes operational—and CMG is providing valuable support and advice on its inception to overcome the effects of the several delays to this service—the realtime aspect of the INTABS arrangement will come into its own since, while the overnight turnaround is ideal for the moment, once SWIFT messages start to come in, users will be able to route confirmations and payments immediately and automatically without any clerical participation.

Further details of the service from CMG (City of London), 73 Leman Street, London E1 8EY (01-481 3881).

● COMMUNICATIONS

British Steel's big network

LARGEST software contract to be placed with a U.K. firm—British Steel's £1.5m. spent with Leasco Software on a packet switching network—has reached the point where trials of the data segment are about to start. The speech segment is already operational.

Ferranti Argus 700S machines at Leasco's Maidenhead establishment are about to be moved to the network management centre at Rotherham and operational trials are to begin in October.

When development is complete—in 1984—there should be 4000 terminal users at 90 sites communicating with each other and with six ICL/IBM based bureaux, assisted by 23 Argus 700S machines to drive the nine-node network. By then, at least £4.5m. will have been spent on the communications links.

The network has been developed to be capable of connection to the Post Office's electronic packet switching system (EPSS) and all the network software is written in Britain's "official" real-time language, Coral.

Suggestions that this language decision resulted in the loss by Leasco of the Euronet contract (the EEC's on line computer communication system) are denied by the company which mentions the official reason that the U.K. concept was seen by EEC as "too commercial" for a Government organisation.

But at a recent open day at Maidenhead there was also some thinly disguised bitterness at what Leasco saw as "French domination" of the EEC tendering proceedings, which it described as "a Dutch auction." "Each time we encountered a committee chairman" said one Leasco executive, "he turned out to be a Frenchman."

But in the U.K. and on a less controversial note, the company has had a notable success in landing a turnkey contract from West Midlands County Council for a computerised command and control system for the West Midlands police force—one of the largest in the U.K. with 6,400 officers and 29 sub-divisions.

Design is based on experience gained with the original Birmingham police system, which it will replace. Leasco is prime contractor and Ferranti will supply a pair of Argus 700S machines.

The dual computer installation is integrated with the force's VHF and UHF radio networks and the telephone exchanges. Incoming 999 calls, for example, are keyed in on visual display units by duty officers while they are obtaining answers to their questions from callers. As cars and emergency services are allocated, all the information is keyed in and an incident log built up. About 160 Megabytes of disc will be involved, with some 50 VDU's and teleprinters deployed in the sub-divisions.

Costing £1.5m., the installation will be able to cope with predicted work loads for five years or so. Apart from incident logging and resource control, it will act as a message switching centre with automatic store and forward and will also replace many historical incident files with a few reels of tape. Operations will start in April of next year. Leasco Software is at 150 Bath Road, Maidenhead, Berks SL6 4LD (0628 23391).

GEOFFREY CHARLISH

● INSTRUMENTS

Quick exact pulse data

INTENDED for those concerned with the timing standards of professional and CCTV television signals is an instrument that can measure waveform times to a resolution of 10 nanoseconds and can carry out checking in about a fifth of the time it would take using existing methods.

Used in conjunction with an oscilloscope the 1194 unit superimposes two movable pulses on the trace—a reference and a cursor pulse. The time interval between the two is then displayed on a four digit indicator. All the component parts of a video waveform can be dealt with in about ten minutes.

The unit has been designed by Data Technology specifically for television applications but other units are to be made available soon for use with other waveforms. More from Alliance Road, Acton, London W3 0BA (01-993 2401).

Stable line displayed

ANY oscilloscope can be used as a waveform indicator with an instrument from Matthey Printed Products called a TV line selector.

It will cause stable waveforms of any desired line to be displayed and reduces eye strain considerably for the TV engineer who does not have access to a monitor.

In full production, the unit is available in versions for 525, 625 and 819 lines.

Matthey Printed Products at William Clowes Street, Burslem, Stoke on Trent ST6 3AT. 0782 85631.

● SECURITY

Analysis of theft patterns

IT IS possible to spend a great deal of money on an anti-pilferage system which does not meet the requirements of a given situation, nor shows the theft patterns of offenders. Yet the impact of shoplifting is now so heavy that no retail organisation can afford to ignore it.

To meet this problem, Group 4 Total Security is offering an analytical service which is being made generally available to allow any retailer to match his pilferage records against fifty variables which have influence on the way security is organised.

The computerised analysis provides detailed information to management on the pattern of theft in his stores so that they can take the most effective action to prevent it or reduce it. The aim is to professionalise the management of security.

The concept of using computer analysis of shoplifting patterns is established in the U.S. among retailers and is a sub-set of the crime analysis work carried out in a number of major U.S. cities.

Group 4 is operating a system developed in conjunction with Atkins Computing Services. It allows retailers to study their own shoplifting situation across categories of age, sex, day of the week, time, type and value of goods lost and locations.

Input is easy to prepare and the form has been designed in such a way that confidentiality is protected, both from the viewpoint of arrests and the interests of the user.

The key to either code will not appear on the computer printout.

Initially, the service will have most impact in large departmental and chain stores but it clearly has its uses in the smaller organisations who do not necessarily have trained security staff on call.

Group 4 is at Farncombe House, Broadway, Worcs. Broadway 038681 2621.

● TEXTILES

Carpet keeps its shaggy look

ONE OF the fashion successes in the carpet trade in recent years has been the establishment of the Berber carpet. This is based on a long pile wool yarn which is shaggy in appearance and which normally is dyed to natural shades of browns, fawns, etc.

For a quality Berber-type carpet to be made in the style of the Berbers who invented it, the strands of pile yarn must retain their appearance and identity. They should not, for example, become untwisted into separate strands.

A new method of "milling" such yarns has been developed which is inexpensive and comparatively rapid. In the process the twisted yarns are caused to mill, which is a slight felting between the fibres of the yarn. The important thing is that such strands should not, during treatment, become linked with adjacent yarns as this will cause backwinding problems in subsequent processing.

Thomas Broadbent and Sons, Huddersfield has been working with Stephenson Brothers, (P.O. Box 305, Listerhills Road, Bradford BD7 1HY; Tel 0274 23811) in developing a treatment that is an extension from a technique used by knitwear manufacturers. In this skeins or hanks of wool yarn are treated in a Broadbent washer/extractor in which the processing liquor is aqueous and which contains Sodalkon 215K liquid surfactant which ensures the bath is held at between 8 and 8.5 pH. It is also significant that there is no bleeding of colour, but the yarns are thoroughly cleaned as well as milled and can be rinsed without problems.

The cycle developed by Stephenson in trials is based on 20 kg. lots in the smaller machine, but 40 and 70 kg. capacity machines are available and allow production rates between 2,500 to 70,000 kg/week.

Using pre-scoured yarns it was established that the entire processing cycle could be completed in under 15 minutes and already the development is now being used commercially for making bulked/stabilised Berber yarns. Other yarn milling processes are in the course of development, but this system is claimed to be inexpensive in terms of capital expenditure which ranges between £9,500 to £13,500 depending upon the type and specification of machinery required.

● COMPONENTS

French fork lift trucks

WITH LIFT capacities ranging from 1,000 to 2,500 kg, a range of industrial counter-balance fork lift trucks is being manufactured by Salev in France.

There are battery, petrol, diesel and LP gas power options, and a choice of hydrostatic or mechanical transmission, and of pneumatic or solid rubber tyres.

The smaller models can be fitted with duplex or triplex masts, while the larger have triplex only. Normal load centre is 50 cm., but on a special long version of the 2,500 kg capacity model, designed to handle voluminous loads, the nominal lift capacity has ben extended to a 70 cm. load centre. A range of attachments is available for specialised applications.

Marketing in the U.K. is by Wilky Concessionaries, Stake Works, Invincible Road, Farnborough, Hants. (0252 44361).

● MACHINE TOOLS

Transparent swing doors

CLEAR VISIBILITY through about 90 per cent. of the door area is available in flexible industrial doors from R. S. Stokvis and Sons, Pool Road, East Molesey, Surrey KT8 0HN (01-941 1212).

Framed in steel cold rolled section, the door panel is of pvc 7 or 10 mm. thick, and the doors can be used in a temperature range of −30 to +60 degrees C. The closing mechanism pressure can be adjusted to suit the traffic, and the door mountings are stated to be maintenance free.

Reiflex range includes pneumatically assisted doors which open through 90 degrees on contact, closing after an adjustable delay of up to 20 seconds. Maximum door size is 3500 x 3500 mm.

● COMPUTING

Bidding for business in Europe

FOLLOWING THE exhibition of interfaces and peripherals for DEC's PDP11 computers at last year's Brussels Compec, Midland Business Machines has consolidated its sales position in Europe by the appointment of Eurotech SA, part of the Cable and Wireless Group with head office in Belgium and other companies in Holland, Germany, France and Italy, as distributors of both MBM computer systems and the BML range of interfaces and peripherals for PDP-11.

With its expertise in the minicomputer-based communications market, Eurotech will provide technical support for both MBM and BML products, but it will also actively market them.

MBM sees association with Eurotech as the ideal way in which to sell into Europe.

Together with the contribution of the existing distributor in Switzerland, ACU of Zurich, unaffected by this new association, MBM expects that the £1m. worth of orders taken in Europe in 1976 will be more than doubled in 1977, and quadrupled in 1978.

MBM is on 0604 21911.

Business unit deal

MARKETING agreement has been concluded between Business Computers (Systems) of Brighton and Diablo Systems Incorporated (a subsidiary of Xerox Corporation) for the exclusive distribution in the U.K. and Ireland of the System 3200 small business and intelligent terminal.

Marketed as the BCL Ranger, the machine will complement the Molecular computers manufactured and marketed in the U.K. by BCL. It is a compact disc based microprocessor using visual display units and keyboard printers for input and output. Basic machine has 16k bytes of store, two diskette drives providing a million bytes of bulk store, 1920 character VDU and printer.

A fully supported range of standard applications software exists and is included in the purchase price of under £10,000.

The two main markets envisaged are as a self-contained unit that will provide easy transition to data processing for companies with little experience, and as a stand-alone terminal for data entry and local processing in distributed applications. Business Computers is at Portslade, Brighton, Sussex BN4 1ER (0273 413211).

● PROCESSING

Thick film in Galway

CANADIAN manufacturer of thick film hybrid microcircuits and networks, Epitek Electronics, has established a manufacturing facility in Galway, Ireland, from which to service the whole of the European market.

First products will be resistor and active filter networks, resistor capacitor network, power amplifiers and stereo pre-amplifiers, but the new 7,500 square feet plant will also be offering a full custom design and production service. Design capability ranges from low cost substrate-mounted conventional component packages to fully sealed wire-bonded microcircuits. The parent plant in Kanata, Ontario, currently handles about 100 new designs annually and ships over 50,000 parts per month.

National Semiconductor have been appointed U.K. agent and more details can be obtained from them at Stamford New Road, Altrincham, Cheshire or 061-928 3417.

● ELECTRONICS

Siemens in Midlands venture

AFTER 63 years—since the outbreak of the First World War—Siemens has re-established a U.K. manufacturing ability (119,000 square feet) following the completion of the £1m. phase two of its Congleton, Cheshire, site.

The plant will be making more than 2,000 electronic "in-office" teleprinters recently ordered by the Admiralty, several types of electronic sub-assembly and electrical power equipment including high-voltage switchgear. It is not likely to be devoted to a specific product field.

Employment at Congleton is now about 350 and is expected to rise to 600 by the early-1980s. Siemens currently employs about 1,000 people in the U.K., to date largely concerned with sales, service and administration. The U.K. company turns over about £40m., and expects this to rise to £150m. by 1985. World wide, Siemens sales were over £5,500m. in 1976.

The decision is based on several factors, including a long historical association with the U.K., the latter's low wage cost advantage, and the need to be seen to be manufacturing in Britain in relation to business it will undoubtedly be seeking from the Post Office, CEGB and the area Boards, British Rail, and many other national concerns. The Admiralty, for example, required 50 per cent added value (rising to 70 per cent. by contract completion) and the Post Office would certainly apply similar considerations if it ever decided to order, for example, the company's EWS exchange equipment.

COMPANY NOTICES

FLEMING JAPAN FUND S.A.

Société Anonyme
Headoffice: 37, rue Notre-Dame Luxembourg
Trade Register: Luxembourg B 8392

Notice of Meeting

Messrs. Shareholders are hereby convened to attend the Statutory General Meeting which is going to be held on May 11th, 1977 at 3.00 p.m. at the headoffice, with the following agenda:

Agenda

1. Submission of the reports of the Board of Directors and of the Statutory Auditors.
2. Approval of the financial statements for the year ended December 31st, 1976.
3. Payment of a dividend.
4. Discharge of Directors and of the Statutory Auditors in respect of the carrying out of their duties for the year ended December 31st, 1976.
5. Receipt of and action on nomination for election of Directors and the Statutory Auditors for a new statutory term.
6. Directors' remuneration.
7. Miscellaneous business as may properly come before the Meeting.

Shareholders are advised that there is no quorum requirement in order for valid decisions to be taken.

Holders of bearer shares must deposit their share certificates with any bank or with Kredietbank S.A. Luxembourgeoise and inform the latter of this deposit.

The Board of Directors.

BUCKLERSBURY FUND S.A.

Société Anonyme
Headoffice: Luxembourg, 37, rue Notre-Dame
Trade Register: Luxembourg n° B 8.360

Notice of Meeting

Messrs. Shareholders are hereby convened to attend the Statutory General Meeting which is going to be held on May 11th, 1977 at 2.30 p.m. at the headoffice, with the following agenda:

Agenda

1. Submission of the reports of the Board of Directors and of the Statutory Auditors.
2. Approval of the financial statements for the year ended 31st December, 1976.
3. Approval of appropriation to legal reserve for the year ended December 31st 1976.
4. Payment of a dividend.
5. Discharge of Directors and of the Statutory Auditors in respect of their duties for the year ended 31st December 1976.
6. Receipt of and action on nomination for election of Directors and the Statutory Auditors for the fiscal year commencing 1st January 1977.
7. Miscellaneous business as may properly come before the Meeting.

Shareholders are advised that there is no quorum requirement in order for valid decisions to be taken.

Holders of bearer shares must deposit their share certificates with any bank or with Kredietbank S.A. Luxembourgeoise and inform the latter of this deposit.

The Board of Directors.

INTERCOM
SOCIETE INTERCOMMUNALE BELGE DE GAZ ET D'ELECTRICITE
Société anonyme
1, place du Trône, Brussels, Belgium.
NOTICE OF AN EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of the shareholders of INTERCOM will be held on Friday 6th May, 1977 at 11 a.m. at the Registered Office of the Company, 1, place du Trône, Brussels, Belgium. ... SUMMARY OF AGENDA ... MIDLAND BANK LIMITED ... BANQUE DE PARIS ET DES PAYS-BAS ... HILL SAMUEL AND CO. LIMITED ...

JARDINE, MATHESON AND CO., LIMITED
NOTICE TO THE HOLDERS of outstanding warrants to subscribe for stock units of Jardine, Matheson and Co., Limited ... By Order of the Board, ... Company Secretary
Hong Kong, 22nd April, 1977.

LINREAD LIMITED
ORDINARY SHARE CAPITAL
NOTICE IS HEREBY GIVEN that the Ordinary Share TRANSFER BOOKS of the Company will be closed from ... for the preparation of dividend warrants. By Order of the Board, C. H. EDWARDS, Secretary.

117 GROUP FUND S.A.
NOTICE OF ANNUAL GENERAL MEETING
The Annual General Meeting of the Company will be held at 3 p.m. on Tuesday 3rd May 1977 at 14 rue Aldringen, Luxembourg ... The Board of Directors.

PERSONAL

IS YOUR HOUSE TOO LARGE?

Your house can be beautifully used if you gift it to the National Charity (Help the Aged). One portion will be modernised free of cost to you (usually self-contained) for your own or your surviving spouse's use for life — free of rent, rates, external repairs. Other portions converted for retired people. Please write without obligation to: The Secretary, Help the Aged Housing Appeal, 32 Dover Street, LONDON W1E 7JZ.

WAGONS-LITS

Messieurs les Actionnaires sont convoqués en Assemblée Générale Ordinaire à Bruxelles, à l'HOTEL ASTORIA, 103 rue Royale, le MARDI 3 MAI 1977, à 15 heures, pour approbation des comptes de l'exercice 1976 et nominations statutaires. ... à BRUXELLES ... à LONDRES ...

LEGAL NOTICES

No. 001335 of 1977
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of WALLACE PUBLICITY LIMITED and in the Matter of The Companies Act, 1948. ... BOVIS CONSTRUCTION LIMITED ... MASONS, 10, Fleet Street, London EC4Y 1BA ... Solicitors for the Petitioner.

No. 001139 of 1977
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of UPHAM FARM (ALDBOURNE) LIMITED and in the Matter of The Companies Act, 1948. ... COLLYER-BRISTOW & CO., 4, Bedford Row, London WC1R 4DF. ... Solicitors for the Petitioner.

No. 001316 of 1977
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of ROSA ROSS LIMITED and in the Matter of The Companies Act, 1948. ... M. W. M. OSMOND, State House, High Holborn, London, W.C.1. Solicitor for the Petitioners.

MONEYLENDERS ACT 1927
THE MONEYLENDERS (SUMMARY JURISDICTION) RULES 1927
We GROSVENOR ESTATE INTERNATIONAL DEVELOPMENTS LIMITED ... DATED this first day of April 1977. IAN M. P. STAINES, Director.

No. 001134 of 1977
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of CARMENDALE LIMITED and in the Matter of The Companies Act, 1948. ... BRABY & WALLER, 2/3, Hind Court, Fleet Street, London EC4A 3DL ... Solicitors for the Petitioner.

NOTICE TO CREDITORS
In the Matter of GOLLIN & COMPANY LIMITED ... G. J. HOSKINS, Scheme Administrator ... PENNINGTON N.S.W. 2115, Australia.

EDUCATIONAL

LANGUAGES FROM EXPERTS. Evening classes in French, German, Italian and Spanish beginning 25th April. Please contact The Registrar, International Language Centre. 01-492 0401.

PUBLIC NOTICES

MALAWI BUYING AND TRADE AGENTS

Notice is hereby given that the Creditors of the above-named organisation, which has ceased trading in accordance with a decision of the Office of the President and Cabinet of the Republic of Malawi, are requested on or before 29th April, 1977 to send full particulars of their debts or claims to the Chief Agent, Malawi Buying and Trade Agents, 33, Grosvenor Street, London, W1X 0HS.

هكذا من الأصل

Building and Civil Engineering

£5.6m. housing contracts won by Fairclough

TWO BIG housing contracts totalling £5.6m. have been won by Fairclough.

The largest, worth nearly £4m., is at Orton, near Peterborough and the other, worth £1.6m., is at Ipswich. Work starts on both to-day.

The Orton scheme involves 374 dwellings, mainly two-storey terraced houses with some three-storey flats and bungalows, and they will be constructed using the Midlands Housing Consortium timber panel system clad with brickwork.

A feature of the project, designed by the Peterborough Development Corporation, is the accommodation of all underground services, including heating, in one common trench. The quantity surveyors are Franey Greaves and Partners, Peterborough, jointly with Peterborough Development Corporation.

Fairclough's other task is to construct 71 houses and 104 flats for the Orwell Housing Association at Brookwood, Ipswich.

This scheme has been designed by local architect Alan Pamo and will take 21 months to complete.

IBM office block

STRUCTURAL STEELWORK for what is described as an installation support centre for IBM United Kingdom is now being erected at Rockware Avenue, Greenford, Middlesex.

Bovis Construction has been appointed managing contractor for the centre which has been designed by Foster Associates. The centre will include a part single- and part double-storey office block with plant rooms, a computer suite and storage areas.

The development will cover about 90,000 square feet and although the cost of the project has not been disclosed it cannot be less than £2½m.

The structure will consist of large pad foundations supporting a structural steel frame. The external "envelope" will have a flat felt roof, with glazed cladding on two elevations and fabricated metal cladding on the remaining two.

Bovis is also to undertake landscaping, access roads, car parking facilities and a drainage system.

Bovis is also to fit out a major store for Owen Owen at Birkenhead and the contract, worth £500,000, is a particularly large one for this type of operation.

The fitting out work applies to some 40,000 square feet of retail store space, but there will also be work on a restaurant and other facilities together with heating and air conditioning, lifts, sprinkler system and so on.

Two jobs in Scotland

A five-storey office block is to be built in Brunswick Street, Edinburgh, for the Croudace Group. The £1m. contract has been awarded to Balfour Beatty (BICC Group).

The building will have a reinforced concrete frame on piled foundations and will be clad with natural stone. There will be a basement car park.

Architects are Covell Matthews Partnership in association with Cairns Munro Architects.

Also in Scotland, at Hunterston, Ayrshire, Balfour Beatty is undertaking a £620,000 contract for superstructures at British Steel Corporation's direct reduction plant. The company is already doing foundation work there. The work is being engineered by PEP Industrial Design Consultants.

Henry Boot wins £2m. contracts

THE Civil Engineering Division of Henry Boot Construction has been awarded three contracts together worth over £2m.

More than £1.5m. of the total is for Tioxide International's Greatham expansion scheme at Seaton Carew, Hartlepool, Cleveland.

Included in this contract are two concrete storage silos, substantial foundations, building works, associated site works, road works and drainage, and the construction of an effluent lagoon. Each silo will be 30 metres high and 12½ metres in diameter and they will be constructed by slipforming. The main contractor is Humphreys and Glasgow.

Henry Boot is also undertaking a £414,000 contract for Derbyshire County Council for the construction of three overbridges and a twin box culvert on the A617 Hasland by-pass and a £274,000 contract from the North Yorkshire area of the National Coal Board for the construction of a workshop, stores and offices at Ackton Hall Colliery, Featherstone.

Building a warehouse

HOLLAND, Hannen and Cubitts Construction (London) is to build a warehouse in Pontypridd, Mid-Glamorgan, for Lennons and Son.

The contract, worth £550,000, has been awarded by the Welsh Development Agency and calls for the construction of a three-storey, [illegible] reinforced concrete building. Completion is scheduled for March, 1978 and the contract include provision of access roads, car park, drainage and landscaping.

Architects are Holder and Mathias Partnership.

Indonesian project for Halcrow

SIR WILLIAM HALCROW and Partners, whose third Queen's Award for Export Achievement was announced last week, have been appointed for a substantial drainage project in Indonesia. The Directorate General of Water Resources Development in the Ministry of Public Works and Electric Power appointed the firm and the contract, which has just been signed in Jakarta, covers the drainage of an overall area of 47,000 ha. and foresees detailed planning, design, contract documentation, supervision of construction and training of operators.

The project which is funded by the International Bank for Reconstruction and Development (The World Bank), covers four separate areas—three in Java, in the vicinity of Jakarta, and one on the west coast of Sulawesi (formerly Celebes), near Pare-pare. Inadequate drainage in all four cases leads to depressed rice yields, irregular planting and a general lowering of the standard of living.

In two of the areas, located in a low lying coastal plain, the damage varies from poor drainage to regular inundation, and results in poor road access at all times and complete isolation during the wet season. The other two project areas are additionally subject to river-flooding. Salt water intrusion everywhere causes a shortage of drinking water during the dry season.

An executive body within the Directorate General of Water Resources Development, PROSIDA, will be responsible for the physical execution and management of the project. Having updated an existing feasibility study, Halcrow will undertake the engineering design, the contract documentation and supervision of construction supported by professional, technical and clerical staff from R.B.W. Consulting Engineers, of Jakarta and a smaller, Government owned, consultancy firm, Virama Karya.

At all stages of the work, Halcrow will work closely with Indonesian counterpart engineers, attached to them from PROSIDA and the irrigation sections of the Regional Public Works offices, and it is part of the present contract that the partnership shall assist PROSIDA in setting up and training an efficient operation and maintenance organisation that can be handed over to the provincial authorities once rehabilitation works have been completed.

Work on the PROSIDA Drainage Project is to begin immediately, and the first engineers left for Indonesia last week-end. It is anticipated that the engineering report will be submitted within 12 months; the design stage will be completed during the summer of 1979 when construction can begin, and a final report, including an operational maintenance manual and training programme, will be submitted three years later. The total provision for the consultancy is of the order of U.S.$1.5m. This figure does not include local costs nor the fees for counterpart engineers.

IN BRIEF

● Work has just started on a [illegible] development to provide accommodation for the aged at Chancery Lane, St. Helens, for the Royal British Legion Housing Association. It is being built by G. Derbyshire.

● Worth £425,000 is a contract for Coventry City Council to Kane Construction [illegible] for the second stage of the new factory development at Alderman's Green, Coventry, for 19 factory units [illegible] from 1,000 to nearly 5,000 square feet.

● A third order for Supaskid overseas contracts placed with Lester Building Systems (Exports) for Redpath Sugars is worth £100,000 and brings the total value supplied to £327,000.

● Cimcon GRC cladding panels worth £100,000 are to be supplied for the £7m. warehouse, training school and headquarters for Volkswagen GB at Milton Keynes.

● Entries are sought for the 1977 Structural Steel Design Awards Scheme sponsored by British Steel Corporation and the British Constructional Steelwork Association. They should be submitted by June 14 to Constrado at 12 Addiscombe Road, Croydon CR9 3JH.

● CBA, the Concrete Block Association, has published guidance on the safeguarding of concrete blockmaking plant useful to both users and the makers of machinery and equipment, linking the relevant Acts and the requirements of British Standards. More from 60 Charles Street, Leicester.

Door-making study group

OVER 30 delegates from nine European countries will this week be visiting three British Woodworking Federation member firms specialising in door manufacture.

Delegates are members of a study group from FEMIB, the European federation of joinery and woodworking associations of which the British Woodworking Federation is U.K. member. Visits will be made to factories in Stockton-on-Tees, Hull and Farnham, Surrey.

New flats in Liverpool

WILLIAM TOWNSON and Sons has been awarded two contracts by the Venture Housing Association for the construction of 81 flats in Liverpool at a cost of £743,000.

The developments are at Sefton Park Road, where 54 two-bedroomed flats are being constructed, and Grove Park, where there will be 27 units. Construction has started and is scheduled for completion by March, 1979. The architect is William G. Richards.

Grout made easy to use

MANUFACTURER of industrial resin fixing systems, Celtite, has developed a new grouting mix which remains mobile up to one hour after mixing, expanding within this period to ensure contact with all surfaces.

Excem grout has applications including base plate, stanchion and rail bedding; jointing and bedding pre-cast units, floor slabs and wall units and can be used for post-tensioning and pre-stressing cable duct grouting.

Used in a very low water to powder ratio with a recommended maximum of 18/100, it will produce a free flowing grout which completely fills all voids.

The initial mobility of at least one hour is retained if the mixture is agitated slightly during pumping or pouring. However, if Excem is then left undisturbed for five minutes after pouring it will gel and prevent bleeding or leakage through formwork.

Celtite (Selfux), Rough Close Works, POB7, Alfreton, Derby. 077383 2271.

Protecting desert gas pipe line

ACROSS THE Qatar peninsula from the west coast, where natural gas has been found offshore, to the east coast where an industrial complex is being developed, runs some 170 km. of pipeline, with a gas throughput of 700m. standard cu. ft./day.

The first line was laid about five years ago, and tested with seawater. That testing method, and the type of gas transported, soon caused corrosion problems.

Due for completion in July this year is another parallel line (with branches) in 16, 24 and 30 inch diameter pipe, but to prevent internal corrosion this will be lined with a polyamide cured two-pack epoxy coating made by International Pinchin Johnson. It is believed that this is the first time gas pipe lines have been internally coated on site in Arabia.

This coating material has been in use in the U.K. since 1971 and has Gas Council and API approval, but has not previously been applied in the conditions encountered in Qatar.

The operation takes place at a base-camp near the middle of the pipe line route. The pipes are first internally sand blasted (sharp sand has to be imported from Kuwait) and then the liner is sprayed on.

Ambient temperature is between 40 and 50 deg. C. (122 deg. F), and the metal of the pipe is too hot to touch. The 40 ft. long pipes are slowly revolved on rollers while a boom carrying twin spray heads is drawn through it. The polymer is touch dry in minutes, and hard in two hours (instead of the usual one hour and 24 hours).

Called Interpon Pipeliner, some 90,000 litres has so far been applied, by a British company called Bruce Blast. According to the maker, the lining is expected to have a 20-year working life. Apart from corrosion resistance the liner provides another benefit — because it reduces friction, the gas flow rate has been increased by about 10 per cent.

Main contractors for the £12m. pipelaying job are Zachem, and the consultants are Spencer and Partners. The gas is being used to fuel power stations and desalination plants, and to feed a fertiliser plant.

Details of the coating material from the International Paint Co., 9 Henrietta Place, London W1A 1AD (01-580 6677).

Name is changed

The sub-contractor's group of the National Federation of Building Trades Employers has changed its title to The Federation of Building Sub-Contractors, a change in line with the growing importance of this section of the construction industry.

The renamed group now has a membership of over 3,000 firms in 20 different trades ranging from asphalting to wall-tiling. Membership of the group is open to NFBTE member firms which work primarily as sub-contractors and to building firms which have a specialised subsidiary trading separately from the main company.

Sport and leisure

BELFAST CITY Council has placed a £1.7m. contract for the Shankhill Leisure Centre in Shankhill Road, Belfast, with John Laing.

The centre will have a total floor area of 69,300 square feet and contain a main sports hall, training rooms and three squash courts, one of which will have a glass back wall and viewing area. A large leisure pool with simulated beach and wavemaking machine will be located at first floor level.

A cafeteria and general purpose lounge area at second floor will overlook the leisure pool and viewing galleries to the main sports hall will be located at first and second floors. A creche and two saunas will also be provided and a lift will serve all floors.

The sports hall will have a steel portal frame and the rest of the building will have a reinforced concrete frame and floors, with brown rustic brick cladding and roofs of part metal deck and part reinforced concrete with felt covering.

Architects, structural engineers and filtration consultants for the scheme are W. D. R. and R. T. Taggart, of Belfast. Quantity surveyors are V. B. Evans and Company. Mechanical and electrical consultant engineers are Murland and Partners, of Belfast.

Design for the Nitram project

CIVIL, mechanical and structural services and design engineering support for the vast Imperial Chemical Industries Nitram project at Billingham is to be provided by White, Young and Partners.

The Nitram project is estimated to cost a total of £35m. What the White, Young involvement will be the firm is not prepared to disclose. It will be working in conjunction with ICI's agricultural division, projects and engineering department, on this project which clearly is a major scoop for the organisation.

● Development of a new mud processing unit is announced by West's Prochem, of Coniscliffe House, Darlington. Capacities of 5 to 20 tons an hour can be provided for the units which remove all hydrocarbon traces prior to disposal.

Monday April 25

PROCESSING

Thick film in Galway

ELECTRONICS

Siemens Midlands venture

WANTED

THE EKOFISK BLOW-OUT

Oil skimming vessel heads for Bravo to tackle slick

BY ROY ROGERS, SHIPPING CORRESPONDENT

AN OIL skimming vessel was being moved out to the Bravo platform last night as Phillips Petroleum set about tackling the huge oil slick.

But this morning the vessel, from the Bergen company of Frank Mohn, should prove whether or not this technique can be used in North Sea conditions.

Many doubt that scooping, which has been successful on calm waters, is applicable to the North Sea. But Phillips is eager to test the manufacturer's claim that it is before embarking on other alternative methods of dispersing the oil.

Since the Torrey Canyon disaster ten years ago, when chemicals did as much, if not more, damage to marine life as the oil, much research has gone into other methods of combating the oil.

Much of the emphasis has been on controlling slicks with booms and then skimming or sucking the oil-water mixture from the sea and subsequently separating the two. In the past these methods have been held back because they can only operate in the calmest conditions.

A lot of work has also gone into developing detergents which are less destructive to marine life than those used at the time of Torrey Canyon.

Stocks of improved chemicals are also on their way to the Bravo platform and will probably be used if skimming fails or if the slick starts to break up and threatens coastal areas.

Other means include sinking the oil, using scavenging material or burning the oil on the sea.

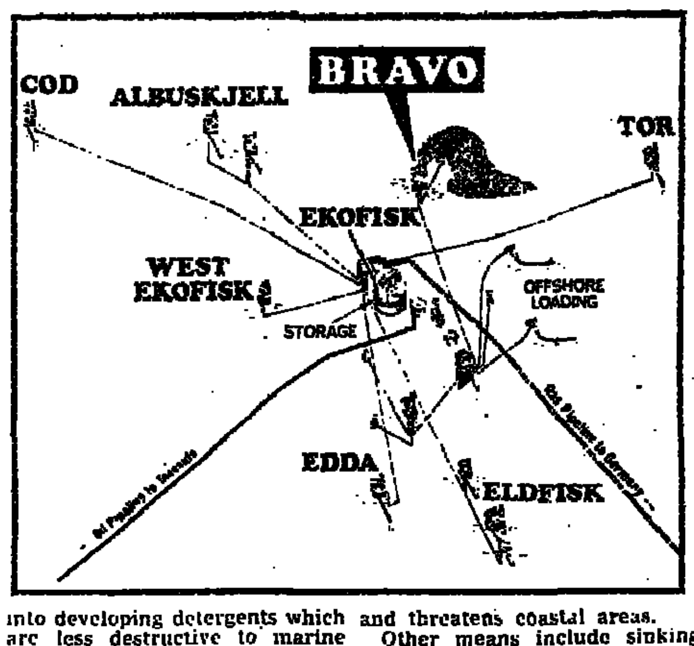
Floating oil can be sunk by treating it with any fine granular material of high density to which oil adheres, but some of the oil could be brought back to the surface at a later date by waves or currents.

Scavenging involves the use of a low density solid which absorbs the oil on the surface and remains floating. The material, often hay or straw, is strewn over the slick so as to absorb a considerable quantity of oil.

Burning on the sea is possible when the slick contains layers of fresh oil about half an inch thick and provided the water-in-oil emulsion is no greater than about 50 per cent. that extra oxygen can be supplied to the mass.

● Two U.K. companies yesterday offered their expertise to fight the slick. Mr. George Burton, managing director of Vickers-Slingsby of Kirkbymoorside, Yorkshire, said that he was standing by with skimming equipment developed jointly by BJ and Vickers.

And at Lymington, Mr. George Rolls, managing director of Oil Recovery International, stressed that his company's system could lift up to 200 tons of oil from the sea in an hour. But he was critical of the big oil companies for ignoring the project which was becoming starved of finance.



Few calls yet on U.K. aid

BY KEVIN DONE IN ABERDEEN

AN UNEASY CALM lay over Aberdeen yesterday in the wake of the Ekofisk blow-out. So far, the port here has only been called on to supplement the supplies of chemicals and other pollution controls which Phillips has been drawing together from many parts of Europe.

The same is true of the other offshore bases strung out along Scotland's east coast. Phillips's base in Scotland at Peterhead has yet to be called into the fight. The company's other operational centre is much farther south, at Great Yarmouth, Norfolk, and this was reported yesterday to be equally quiet.

Aberdeen is the capital of the North Sea offshore industry. A regular flow of between 30 and 40 supply vessels use the port every week-end. Yesterday it was no different with few additions to the traffic resulting from the blow-out on Platform Bravo.

Two supply boats, however, did leave port late on Saturday night, immediately after first reports of the blow-out, loaded with dispersant chemicals and other pollution-control equipment.

Both vessels—the Brεco Bird and the Seaway Perm—were Norwegian craft already stationed in Aberdeen in the hope of picking up early charter business.

According to the harbour authority, extra demands were strictly limited to Norwegian interests. British and U.S. oil companies along the east coast have been standing by to offer assistance should it be needed by Phillips, but apart from the early use of BP's Forties Kiwi (a specialist fire-ship which was already on station in the North Sea on Saturday night) little assistance has been called on.

As the uneasy calm continues, greater involvement of U.K. resources will depend largely on whether the winds start pushing the oil slick nearer to British shores.

If this happens, activity will be stepped up rapidly with local authorities along the coast bringing into force long-standing contingency plans.

In the Grampian region, as in other adjacent authorities, officials can only wait in readiness as the Norwegian authorities in Stavanger and Oslo prepare first to protect the coastal environment.

Mr. Anthony Wedgwood Benn, Energy Secretary (left) arrived in Oslo yesterday for talks on the oil blow-out. He is seen here with Mr. Bjartmar Gjerde, Norwegian Industry Minister.

Bad news for marine insurance industry

BY JAMES McDONALD

IT'S BAD, bad news for the marine insurance industry worldwide, a Lloyd's spokesman said yesterday over the Bravo blow-out.

The conventional ship marine insurance market, he pointed out, had been having an unprofitable period for the last two years or more because of the slump in the oil tanker industry with so many ships being laid-up. With the high-risk premiums they have demanded for the hazardous North Sea oil exploration and development programmes, and with few and comparatively small disasters so far, the insurance industry has made a reasonable profit—offsetting to some extent the loss of income from conventional shipping business.

Now the picture has changed. A platform of the Bravo type is insured for about $100m. and consequential risks, such as damage from oil spillage, also are insured by the industry through a policy of self-insurance operated out of Bermuda.

Lloyd's found it impossible yesterday to give any estimate of the ultimate insurance liability but it will be considerable.

It is only of slight consolation to the British insurance market that it will not be the only sufferer. Normally, Lloyd's and British insurance companies are predominant in marine insurance, often re-insuring marine risks from overseas markets.

But the individual costs of production platforms, together with their consequential risks, are so high that not even Lloyd's and the companies can bear them unaided. As a result—although Lloyd's set the risk rate on the Ekofisk field and was followed by the British Insurance Association, a proportion was taken up by the Norwegian insurance pool and a good proportion was re-insured in the U.S. and on the Continent.

About 10 years ago a production platform in the Mexican Gulf had an insurance value of about $4m. In the North Sea to-day a fixed platform with all its installations, and including the extra hazards involved, can be valued by insurers at more than $550m.

مكبرا من الاصل

The Executive's and Office World

INDUSTRIAL SECURITY

BY SUE CAMERON

High cost of fire and theft

EVERY YEAR at least £1bn.'s worth of British goods is lost through theft or fire. Yet it seems that U.K. *managers are* only just beginning to give security the priority it deserves.

There is evidence to suggest that many managements content themselves with taking the minimum security precautions demanded by their insurance companies and by the law. Crime prevention and fire prevention are often left to junior managers with senior people taking little more than a nominal interest in either. Even when measures against theft or fire are agreed within a company, their enforcement tends to be lax. Overall there would appear to be a universal reluctance on the part of managers in all industries to face up to their security responsibilities.

Perhaps the key factor in any company's security—once the basic legal and insurance requirements have been met—is discipline among personnel. Managements often fail to explain the importance of security to employees or to discuss any precautionary measures with them. As a result the workforce may resent security procedures and not bother to carry them out rigorously. This means that there will be greater opportunities for thieves, vandals and fire raisers.

The Home Office has just published a booklet on industrial crime prevention. It includes a number of case-histories which show the need for careful supervision of personnel. The booklet is called Security Check and it says that "few companies pay adequate attention to the prevention of theft." It adds that crime prevention is seldom discussed at Board meetings and that employees who are caught stealing are dismissed rather than reported to the police. Yet in a note accompanying the booklet, Mr. Merlyn Rees, the Home Secretary says that according to one estimate industrial losses through pilferage are running at no less than £2m. a day.

The booklet claims that some managements regard insurance as an alternative to taking their own security precautions. It says that the chief weaknesses in industrial security are inadequate supervision, poor procedures, an inability to identify risks, and a general failure to seek expert advice on crime prevention. It points out on the other hand that free *security advice is always available* from crime prevention officers in the police force. All that a company has to do is ring its local police station and ask.

Many managements, according to the booklet are reluctant *to investigate the losses which* they suffer as a result of theft. It goes on to suggest that one of the first things a company should do to improve security is find out how much it is losing through crime. Once managers have assessed the size of the problem they can decide on the best ways of tackling it and should also monitor the efficiency of new crime prevention measures.

One of the case histories given in the booklet shows how the managers of a factory took a number of simple steps to improve security. Among other things they ensured that all areas were supervised during meal breaks, they restricted the number of access points to the canteen, and they stopped employees taking handbags onto the shop floor.

The retail industry has one of the worst records in crime prevention. Pilfering in shops and stores has become so commonplace that retail managers have invented their own euphemism for theft. It is called "shrinkage" and is cur*rently running at £400m. a year.* Most shops automatically allow for it when pricing their goods.

Until recently one large store refused to put security labels on the clothes it sold because the management felt that this might upset customers. In another store, the losses from theft, breakages, and sub-standard items were all lumped together so that no-one had any idea what proportion of the profits went into the hands of shoplifters.

It is estimated that between 2 and 5 per cent. of retail sales are lost through theft. One possible reason for this—paradoxical though it may seem—is that shops concentrate on catching shoplifters rather than on preventing crime. *Prosecutions* are expensive not least in terms of managers' and store detectives' time. And if a store detective is laying charges at a police station or appearing in court, then security is weakened at the *shop where he or she* works.

A more effective way of preventing shoplifting is for store detectives to stop thieves in the act and tell them to return the goods there and then rather than waiting for them to leave the store and then arresting them.

Mrs. Ann Goodall, security manageress for Jaeger in London, says that many managements fail to use the skills of their security staff to the best effect. In particular they do not always listen to the advice they are given. She points out, for instance, that a considerable amount of pilfering in shops is done by the sales assistants and other employees, and suggests that to reduce this employees *should be vetted thoroughly* when they first join the company and all references should be taken up.

The Fire Protection Association also stresses the importance of checking the references provided by new employees. The association has published a series of pamphlets on fire safety and in one of them it points out that disgruntled employees or former employees sometimes become industrial fire raisers. The pamphlet includes a check list of the measures companies can take to prevent arson.

In addition to security patrols and effective fire alarm and detection systems, managers should make sure that casual labour is "strictly" supervised, says the association. They should also make special checks on any employees who are left unsupervised for lengthy periods because it is vital that these people should be *thoroughly reliable.*

In order to prevent fires starting through carelessness or accident companies should make sure that all employees are given proper fire safety training on their first day with the company, the association says. It adds that even people who spend only a small part of their time on company premises, such *as drivers, should be given* training in fire prevention and fire drill.

The importance of educating employees about all aspects of security is stressed by Mr. Bill Robinson, managing director of a security company called Sesco. Mr. Robinson, formerly a policeman in the U.K. and a police training instructor in Rhodesia, says that industry is only just beginning to wake up to the importance of good security.

He started Sesco nine years ago. To-day it has an annual turnover of nearly £2m. and it operates in Eire, South Africa and Spain as well as in the U.K. The company began by manufacturing and distributing *security devices such as alarms* and this still accounts for 85 per cent. of its business. But two years ago Sesco set up an independent recruitment agency and training service for security staff and Mr. Robinson claims that this security personnel operation is still the only one of its kind in Britain.

The security industry has mushroomed in the last few years, and Mr. Robinson says that because of this there has *been no attempt to draw up* common, basic standards for the recruitment, training and career structures of security staff.

At present he is conducting a survey of management thinking on security and he is paying special attention to the pay and career patterns of company security officers and store detectives. He says existing evidence shows that most security staff are poorly paid and their opportunities for promotion are *severely limited. Often they re*ceive little or no training and as a result it is hard to attract people of a sufficiently high *calibre into the security field.*

Mr. Robinson points out that many companies still put *security into the hands of* elderly employees who are nearing the end of their useful business lives. Others take on *ex-policemen or servicemen and* wrongly assume that they will need no further training.

It is because of the need for training that Sesco has set up a subsidiary in Hounslow, Middlesex, called Security *Training Services, which offers* courses on security management, retail security, fire prevention and the installation and maintenance of security systems.

According to an estimate made just over a year ago the security enforcement personnel employed by industry now outnumbers the combined police establishment of England and Wales by a ratio of at least two to one. With this number of people involved it would seem that the establishment of national training standards could make for far greater efficiency in the industrial security field.

Mr. Robinson says that one way to reduce losses from theft and fire is for companies to ensure that a Board member has specific responsibility for security. He claims that if employees know that the directors of their company are concerned about security then they are also likely to take it seriously. Mr. Robinson adds that it is particularly important for personnel department staff to be aware of the need for security protection especially when it comes to vetting new employees and explaining the company's security policy to the workforce.

The Home Office booklet on crime prevention also stresses the need for managers to discuss all security precautions with their employees. The booklet points out that good security is in everyone's interests. "The prevention of crime in commerce and industry increases profits," it says. "Since jobs may ultimately depend on a company's profitability, not only management but all employees have a long-term vested interest in effective crime prevention."

Few companies pay adequate attention to the prevention of theft. It is seldom discussed at Board meetings and there is a reluctance to investigate known losses. People who steal are often dismissed and not reported to the police.

Long-term view of law is more vital than detail

FAR TOO many managers are concentrating on the detailed requirements of new industrial legislation instead of looking at the crucial, long-term implications, according to a legal guide *published by the Chemical and* Allied Products Industry Training Board.

The guide, which is titled Management Planning in the New Legal Environment, says it is essential for managers to *consider the latest legislation as* a whole along with the "attitudes and aims which it expresses."

It points out, for example, that managements need to know the basic approach which governs the decisions of industrial tribunals. *It is un*necessary for every manager and supervisor within a company to have a full knowledge of all the new legal requirements but they must know enough to be able to *identify situations which could* involve the law. If a manager fails to recognise a legal problem when he sees one he will not seek advice from suitably qualified people within his organisation in sufficiently good time.

The guide claims that the "new legal environment" will affect companies in three major ways; namely in their relationships with employees, product users and with both central and local government. The bulk of *the guide deals with* employment legislation and the introductory section of the booklet stresses two general points about the laws affecting employees.

"It will not all disappear with the return of a future Conservative government," the guide says. "On several occasions the Conservative party leadership has stated that it will maintain the new employment legislation with certain modifications.

"In contrast to the past decade of industrial relations law, companies can anticipate a *certain measure of per*manence in the U.K. industrial framework, with both major political parties committed broadly to the same legal concepts in employee relations.

"Second—this is not the total *amount of new employee legis*lation which will have to be absorbed by companies over the next five years. Much of it *accords with existing laws in* other EEC member states. Parts of it are some way behind the standards set by other EEC countries. Hence one result of Britain's membership of the Community is likely to be further pressure from the Commission for various changes in Britain's labour legislation."

The guide goes on to say that *at present employee relations is* the *major area of* legal concern for most companies. But it insists that the situation is likely to change *during the* next two years in such a way that legal responsibility towards customers will become the chief priority of many industrial organisations, particularly those with large research and development departments. The guide adds that chemical companies, especially, are likely to find that "the issue of legal responsibility to the community will become a major problem area.

"This is why it will be essential for companies to see the new legal environment as a much more critical factor in management calculations and long term business planning than hitherto," the guide says.

"Imaginative new legal approaches will be needed to cope with the restrictive nature of much of the new legislation."

One section of the guide outlines a number of key themes in the latest employment legis*lation. These include the move*ment from contract to status as the basis of an employee's position in a company, the extension of legal rights to many more people within an organisation than before, the support of these rights by industrial tribunals, the strengthening of trade unions' rights and powers and the disclosure of information to *employees. Managers must also* consider laws aimed at eliminating discrimination against various groups of employees or would-be employees.

The guide provides a series of check lists on such things as dismissal, discrimination against women, discrimination against coloured workers, discrimination against part-timers and dis*crimination against* trades unionists. The check lists are designed to help managers ensure that they have not over*looked any areas where their* companies could be offending against the letter or the spirit of the new laws.

The guide has one section designed to help managers assess the impact of the new legislation on their companies' policies and it also includes a chapter on training requirements.

● *Management Planning in the New Legal Environment; Chemical and Allied Products Industry Training Board, Staines House, 158-162 High Street, Staines, Middlesex; £8.50 (including postage and packing).*

Sue Cameron

The best in employee reports

A COMPETITION designed to find the best set of employee accounts published in 1976 has been won by Staffordshire Potteries of Stoke-on-Trent for an *illustrated report entitled* The Staffs Potts Train.

The competition was organised by the Accountancy Age newspaper in conjunction with the Industrial Society and Reed Executive. The aim was to try to set some basic standards in the field of company reports for employees. More than 200 companies entered the competition and among the finalists were BP, Allied Breweries, EMI, Avon Rubber, GKN and Metal Box.

The winning company report was prepared by Mr. Richard McNamara, Staffordshire Potteries' personnel manager, and Mr. Geoff Cashmore, the company's chief accountant. It is printed in full colour and includes cartoons and histograms.

The front cover shows a cartoon of a railway with goods trains bearing cargoes of outgoing finished products and incoming cash. The money is unloaded at a series of terminals marked wages, costs, profits, tax and dividends. Inside, the report shows how the wealth created by the company is divided up.

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MONDAY, APRIL 25, 1977

Unfinished debate

"THE GOALS of our education," said the Prime Minister six months ago when he initiated the Government's open debate on educational reform, "are to equip children to the best of their ability for a lively, constructive place in society and also to fit them to do a job of work." Then, referring to employers' complaints about youngsters' educational standards, Mr. Callaghan made clear that a prime object of the debate was far better co-ordination between educational institutions and employing concerns, especially those in industry.

Self-interested

He thereupon passed the responsibility for the exercise to Mrs. Shirley Williams, who cannot be satisfied with the results. Even at their best, the nine regional conferences which the Secretary for Education and Science has since staged fell short of a "great debate." In their worst moments, which were frequent, they became trivial and tedious as representatives of self-interested educational groups read out prepared statements bearing no relation to one another. Direct contributions from industrialists were few and sometimes ill-considered.

Although these formal conferences may have erected some semblance of consensus behind Mrs. Williams's forthcoming Green Paper proposals expected in June, their effect has been to weaken the reforms which the Government, advised by the Department of Education and Science, originally hoped to institute.

As a start towards meeting employers' wishes for more recruits proficient in all three "R's," the Education Secretary's discussion paper will contain the expected recommendation that in future youngsters should not be admitted to teacher-training unless their qualifications include at least GCE Ordinary-level pass grades in both English and Mathematics. It has become plain, however, that there is little hope of enforcing the maths requirement quickly, because the flow of school-leavers capable of meeting it would almost certainly be insufficient to sustain the necessary supply of school-teachers. Moreover, the important development of a core of basic studies as a required element of the curriculum of every school, is unlikely to be taken farther than a proposal of representative machinery to discuss what the core should be.

On one vital matter the debate seems to have achieved nothing: better co-ordination between education and industry. Mrs. Williams has openly described the two sides' encounters to date as "a dialogue of the deaf" and the lack of mutual understanding between them as "the most acute problem" in the way of necessary educational reform. While willing to forgive employers in general for their quickness to chide the education system, she is clearly starting to feel that their subsequent extreme slowness to co-operate in reforming it is unpardonable, especially since this is directly against their own interests.

Initiatives

The pity is the greater because, given the defensiveness of central bodies such as the National Union of Teachers, local initiatives by employing concerns appear the only hope of relatively swift, productive developments. The Education Secretary has suggested "twinning" arrangements between companies and schools, offering benefits such as careers advice and work experience for pupils, and temporary exchanges of jobs between teachers and managers, and trades unionists. Such approaches might be inconvenient to some hard-pressed companies and would not always be welcomed by schools, but the prospective returns make the trouble worth taking.

If the education system is to be reformed in a way which meets the country's needs, an active and constructive contribution from industry is essential.

Bhutto brings in the army

Mr. Zulfikar Ali Bhutto, Pakistan's Prime Minister, claimed credit for keeping alive the principles of democracy when he announced, in January, his decision to call the first elections in that country for six years. Yet the events which followed that ill-fated decision have made Pakistan less democratic, less free, less peaceful and less predictable than it was before. Mr. Bhutto won the March 7 election by a margin which so far exceeded anything that had been expected as to lend credence to accusations from the nine-party Pakistan National Alliance opposition grouping of extensive ballot-rigging. Since then the country has been the scene of a mounting wave of political violence, characterised by demonstrations, shootings, strikes, arrests and curfews. In a desperate attempt to restore law and order, Mr. Bhutto has declared martial law, but the immediate result may well be more violence.

Intransigence

By most accounts, Mr. Bhutto would probably have won an honestly conducted election, though his parliamentary majority would in all likelihood have been reduced. Just how much rigging actually took place, and whether any of it was explicitly sanctioned by Mr. Bhutto himself, are necessarily still in doubt, not least because of the dilatoriness of the judicial authorities in investigating charges of fraud. Yet by now, because of the reciprocal intransigence of Mr. Bhutto and of the PNA opposition leaders, the question has become academic. The opposition has boycotted the few seats which it was deemed to have won in Parliament, it has boycotted the provincial elections, and it has promoted a wide-ranging campaign of public demonstrations and civil disobedience, culminating in a call for the withholding of tax payments.

Mr. Bhutto offered a dialogue with the opposition leaders and an easing of the emergency regulations, providing the PNA renounce public violence and take their place in the National Assembly. The one thing he has not been prepared to offer is the calling of new general elections, which is the only thing the opposition wants. By declaring martial law, the Prime Minister may have forfeited the freedom to change his mind on this central issue, assuming that he could ever bring himself to contemplate such a reversal.

In public, Mr. Bhutto has appeared unshakably confident of the legitimacy of his position: and he could certainly claim, with some justice, to be the ablest figure on the Pakistan political stage. The PNA is a heterogeneous collection of backward-looking parties, and their leaders are not unduly impressive.

Yet the recent resignation of a number of leading figures in Mr. Bhutto's own Pakistan People's Party shows that the election and its aftermath have not inspired all his followers with the same confidence as the Prime Minister.

Mr. Bhutto must now be considered to be, to some extent, a prisoner of the armed forces: the central question is what price he may have to pay for having permitted the present situation to develop. He attempted to buy army loyalty only last week, by raising army pay scales, but that may not be enough.

Democracy does not have the same roots in Pakistan as it does in India, and it need not be assumed that the army will give top priority to restoring the democratic processes to an effective role. On the contrary, the commanders may well be carried, willy nilly, by their responsibility for law and order in the major cities, ever further from parliamentary democracy towards what could amount to a quasi-military dictatorship. Mr. Bhutto has a great deal to answer for.

North Sea oil hazards

BY RAY DAFTER, Energy Correspondent

A fire-fighting vessel spraying the Bravo Ekofisk platform after the oil blow-out.

THE blow-out on the Ekofisk Bravo platform which has disgorged thousands of tons of crude oil into the North Sea, is the type of accident that offshore operators and governments have feared and, what is more, have predicted would happen.

It was only in September last year that the Department of Environment published a report* which concluded that there was a 50-50 chance of more than one offshore oil platform or drilling rig being hit by a blow-out by 1981.

It was also forecast that in 1981 clean-up organisations would be called out three or four times to deal with tanker spills of which one or two were likely to be greater than 135 tons. In addition there could be four or five platform or pipeline spills of more than 135 tons.

That warning made little impact on the public, perhaps because the report stated reassuringly that the present organisation for dealing with such spills was broadly satisfactory. (It did add that the system should be kept under review.)

But in the light of the Ekofisk accident, the scope and preparedness of emergency services must be questioned again.

Sophisticated

Oilmen have always admitted that in spite of all the precautions—and the exploration and production equipment in the North Sea is necessarily among the most sophisticated in the world—there is a constant risk of accidents. A well can blow under pressure in the best regulated field; just as a pipe can burst in any well maintained house. Ships can collide with offshore structures, particularly in some of the sea conditions experienced in the U.K. and Norwegian oil sectors. And there is a further hazard of trawl equipment and anchors dragging submarine pipelines or damaging seabed well units which will be used in increasing numbers.

It is only in the past few days that the U.K. Government has imposed a new safety zone around a flare stack on the Mobil Group's Beryl Field. This zone is doubly important for it also encompasses a production well which was damaged by trawlers last year.

Last month the U.K. Offshore Operators' Association, representing North Sea oil interests, called on the Government to give greater protection from possible damage to production equipment and pipelines. It claimed that the safety zones—500 metres around fixed structures—were inadequate. It was also worried about damage to rigs, pipelines and wells which are not covered by such safety zones. On top of all this, the oil companies are uneasy about the level of maritime policing.

Britain's Fishery Protection Squadron, which also has orders to safeguard oil installations, can call on seven or eight mine hunters or mine sweepers. In addition there are two Bird class patrol vessels and a fast patrol boat, HMS Tenacity. However, these ships are mainly concerned with patrolling inshore waters. The deeper water patrols are left to frigates—there are up to three available—five new Island class vessels (one of which is in service) and up to three patrol vessels operated by Scottish authorities. Given the 270,000 square miles in Britain's extended fishing limits this maritime protection is thinly spread.

So the offshore operators have asked for authority to help with the policing, to use their flotilla of safety boats as maritime traffic wardens sailing under an authorised flag. The idea has not gone down well with fishermen. Neither is the Department of Energy keen on the concept although it concedes that infringements of safety zones have been "too many to be healthy."

In the past eight years, according to the Department, there have been no less than 260 reported incidents involving shipping moving too close to platforms, rigs or pipelines. In a number of cases, considerable damage was done, resulting in lost production. Each time the oil industry was anxious in case a disaster, such as the one on Ekofisk, should arise.

Oil companies have long had an emergency programme formulated so that individual field operators could quickly rally round in the case of a blow-out, leak or fire. The Offshore Operators' Association was planning to build at least four semi-submersible fire fighting ships at a cost of perhaps £30m. to £50m. But this scheme was dropped because different oil groups wanted varying specifications and degrees of flexibility.

Converted

Phillips, as operator for the big Ekofisk Field, was one of the first companies to order its own North Sea rescue vessel: a £12m. mobile rig—Phillips SS—which would be based at the Ekofisk complex just on the Norwegian side of the U.K./Norway median line but available to help in any North Sea incident. The rig has been constructed in Japan but will not arrive until late summer so it was British Petroleum's emergency patrol ship, Forties Kiwi, which was one of the first to arrive on the scene of gushing gas and oil. The former 16,175 dwt. tons tanker, built in 1960, was converted as a base for maintenance work, emergency patrols and firefighting duties in the British Forties Field.

By coincidence on Friday—the day of the Ekofisk incident—Mr. Erling Naess, chairman of the International Association of Independent Tanker Owners, was calling on the Norwegian and U.K. Governments to convert more tankers into emergency ships. The tankers, he said, could be fitted to suck up oil in spill disasters.

The two Governments have agreed to work more closely together; Mr. Anthony Wedgwood Benn, Energy Secretary, who yesterday flew to Oslo to receive a first hand account of Ekofisk operation, has said that in the long-term Britain would aim to harmonise its offshore safety regulations with Norway's which are reputed to be the strictest in the world.

There can be little doubt that the Ekofisk blow-out will at least serve to add impetus to these considerations: there were already rumblings yesterday that politicians and environmentalists will soon be pressing for stricter safety measures and greater emergency support facilities. They will constantly be reminded of the recent comment of Mr. "Red" Adair, the oil safety industry's top trouble-shooter: "Everything's sitting out here wide open, with nothing to protect it. There are no proper facilities for coping with it."

The Offshore Installations Regulations which cover the inspection and integrity of U.K. oil structures were originally conceived in response to the loss of the jack-up rig Sea Gem in 1965. Thirteen men lost their lives in that tragedy; some had earlier been involved in the first gas discovery.

Much has been learned by the oil industry and the Government since then, but they are still a long way from providing all the answers, as those who attended last week's first International Offshore Repair and Maintenance exhibition and conference in Brighton found out. For instance, the Government's Offshore Supplies Office said that oil operators still had only a sketchy idea about how much oil well maintenance would be needed in the North Sea. Some companies had suggested a well work-over every three years was advisable; others said that once every 15 years would be sufficient.

Here again, the oil industry will learn from the Ekofisk blow-out for it was when the casing pipe on platform Bravo's Well Fourteen was being inspected that the blow-out occurred.

Oil companies will tell you that they are constantly climbing a "learning curve" when it comes to North Sea exploration and production. They have never before encountered such hostile offshore conditions.

But the emphasis is now changing. Most of the North Sea fields have been identified; the pace of exploration is being overtaken by development. By the end of this year Britain should be getting about half of its oil needs from the offshore fields; by 1980 it should be self sufficient in energy.

The risks of a blow-out or a spillage will never be eliminated but the warnings of such occurrences which preceded the Ekofisk incident have now been given extra emphasis. Whatever its cause, the Ekofisk gusher highlights the risks that are being taken in the quest for oil.

* *Accidental Oil Pollution of the Sea. Pollution Paper No. 8: Central Unit on Environmental Pollution, Department of the Environment*: SO, £2.80.

The danger men at work

BY STEWART FLEMING, in New York

PAUL (RED) ADAIR, the oil well blow-out expert whose team of two men has been called in to try and deal with the Ekofisk blow-out, only recently warned about the danger of such an incident in the North Sea. His warning voiced what many oilmen feared was almost inevitable, the danger of a serious offshore spill as a result of an accident on a rig.

Now that the problem has arisen, however, Mr. Adair concedes that his main concern is that the well which is "blowing wild" does not catch fire. That could happen from a stray spark, if, as seems to be expected, Adair's men attempt to cap the well.

Adair himself admits to being "about 55" and says that he got into the business of dealing with blow-outs back in 1940. It was not until 1959 that he formed a company — the Red Adair Oilwell Fire and Blow-out Company — which is based in Houston, Texas. In contrast to most of the businesses which call for his help, the international oil companies, Adair's operation seems ludicrously small. He admits to having some 15 specialists whom he has trained himself.

One of them is his son Jimmy and another "Boots" Hansen who is handling the Ekofisk spill. He talks about the business as if it were a family affair pointing out that several of his team were "raised with us."

Oil companies deal with many of their blow-outs themselves but when the problem is particularly complex or serious they call in specialists of whom Adair is the best known.

"Boots" Hansen, the U.S. oil blow-out expert, arriving at Stavanger.

Once he is called in the companies, he says, "sign an open cheque." Since it is hard to predict what the problem is and how difficult it will be to solve, Mr. Adair says he cannot give the companies any set estimate in advance, merely presenting them with the bill at the end.

Both sides seem to think that the system works. Mr. Adair says "we're honest," and the oil companies keep calling him in.

His business affairs are kept confidential and he says he does not release information about the company's profitability. Asked why the British and Norwegian governments do not set up their own specialist team, he says that he has been trying to teach them. But Mr. Adair's decisions on dealing with a blow-out are based on years of experience and on a thorough knowledge of drilling and scientific methods.

While each accident presents its own problems, the Ekofisk incident is already attracting intense interest in the U.S.—so much so that the Sunday New York Times ran the story as its main page 1 item. Already the incident is being compared with the spill from an offshore well near Santa Barbara, California, when 2m. gallons of oil escaped. That offshore accident gave the environmentalist lobby powerful arguments to employ against the offshore drilling industry. It seems that the Ekofisk spill will reinforce those arguments at a time when there is already a heated debate about offshore drilling under way.

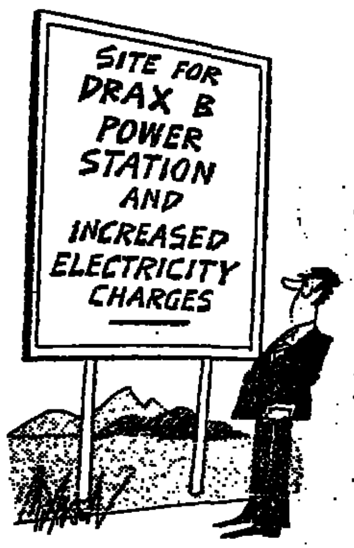
Last year the Federal Government began leasing tracts offshore in the Baltimore Canyon region of the Atlantic. But States such as New York have been fighting the Government's decision to allow drilling in this region, arguing that the pollution risks have not been taken sufficiently into account. Since substantial proportions of U.S. oil reserves are now thought to lie under the ocean bed what is happening in the North Sea, particularly pollution experience in the region, is likely to have a considerable impact on the U.S. oil industry.

MEN AND MATTERS

The 14th choice for the top

Peter Walker, the former Conservative minister, discloses to-day that of ten nationalised industry chairmen he was responsible for appointing, one was his 14th choice for the job.

He does not identify the individual involved, recalling the case in the course of observations about the difficulties of persuading people to take such jobs. His thoughts bear out amply the frustrations openly expressed by the likes of Sir Monty Finniston (ex Steel) and Sir Richard Marsh (ex Railways).



Bosses as a breed can hardly expect society to treat them as heroes, and the nationalised industry chiefs collect more than the usual quota of unpopularity. And it seems *de rigueur* (as with Sir Arthur Hawkins, about-to-retire Central Electricity Generating Board chairman) for them not to quit without some sort of attendant row with Government.

Walker, a former Secretary of Environment then of Trade and Industry, lists in his book The Ascent of Britain about a dozen major disincentives which he thinks a truthful minister ought to point out to anyone he is considering appointing. These include: a lower salary and poorer pensions benefit than in outside industry: fewer "general benefits . . . from being in an important industrial position"; all decisions to be scrutinised by the apparatus of political and civil service power; and appointments fixed for short terms, with the good chance of being dropped by a new minister.

But I reckon the most telling couple of points are when the minister should, in Walker's words, tell the new man: "You can be assured that whenever you do anything which is unpopular with the public, such as increasing your prices or failing to deliver or produce goods on time, you will be abused far more than if you committed similar sins in the private sector. You can also be assured that anything which is successful will go unnoticed." The knighthood prospects look reasonable, on the other hand.

Vive

It may be tough at the top, but there seems to be compensation for working in one sector of nationalised industry: there is a good chance of living longer. This successful extension of mortality has been uncovered in the maligned Post Office.

At the age of 60, female P.O. staff will on average live two years longer than the rest of us, with the men being able to look forward to an extra 18 months. The P.O's. Courier magazine reports that these figures have been included for the first time in the chief medical officer's 1975-76 report on sickness absence and medical wastage (ugh!) in the organisation.

For the second year running, sick absence rates fell, though because of higher rates of pay, such absences cost the Post Office £55.3m., which was £8.6m. more than 1974-75. There was a relatively minor saving in another direction last year: routine references of cases for medical examination by local medical officers were reduced "drastically," the Courier says, "leading to savings of £64,000 in fees."

Losada's verse

Reckon you are familiar with the international banking scene? Then name a central bank president who has had his poetry published. One, at least, is Benito Raúl Losada, head of the Venezuelan Central Bank: six of his books of verse are out and he hopes to complete soon the seventh. He confesses a certain pride in the fact that one poem he wrote when the first men landed on the moon has been widely published outside his home country.

So should we say poet-banker or banker-poet? Losada's answer was severe: "I separate the two functions completely." His bank's literary aspirations do not end with the compositions of the boss: Losada has been in London for the launching of a book by Dr. Rafael Caldera, the former Christian Democratic President of Venezuela, on Andrés Bello, the distinguished 19th century Venezuelan scholar. Bello spent nearly 20 years in London working in the British Museum and marrying successively two English ladies. The English edition of Caldera's book was sponsored by the Central Bank.

In presenting the book to British readers Losada elegantly underlined the fact that often seems to pass over the heads of British Ministers and businessmen, namely that Venezuela values its long and close historical connection with Britain. Caldera's book, he said, should contribute to a greater understanding of the cultural, spiritual and social ties between Venezuela and your great nation."

Workers vote

It has been said that Moss Evans, who will succeed Jack Jones to the general secretaryship of the Transport and General Workers' Union, is relatively unknown to the public. A name which will mean even less is Tommy Riley, but his place in the TGWU elections which won Evans the top job was a significant one.

Riley is a member of the extreme Left Socialist Workers party whose members include journalist Paul Foot. Though placed fifth out of 14, Riley won the most support among those from the shop floor who campaigned. The first four were all either officials or, in the case of John Cousins, an ex-official. Riley beat a couple of other officials into 6th and 7th places: the much better-known Alan ("The Mole") Thornett, a Trotskyist shop steward, came 12th.

Against Evans's 349,548 votes, Riley polled 27,445. A lorry driver from Lancashire, he campaigned vigorously (mostly on social contract smashing and reform of the TGWU) at factory gates and on picket lines.

Observer

FINANCIAL TIMES SURVEY
Monday April 25 1977

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World Banking

PART ONE: PART TWO WILL APPEAR NEXT MONDAY, MAY 2

Concern about the continuing imbalance between the handsome revenue surpluses of the oil-producing nations and the huge deficits of the rest of the world remains the major pre-occupation of international financial authorities and markets. This Survey, published in two parts, reviews the attempts to resolve this pressing problem.

Zones of deficit and surplus

By Peter Riddell
Economics Correspondent

THE CONTINUING consequences of the four-fold increase in oil prices at the end of 1973 for international payments equilibrium for the prospect of growth without accelerating inflation and for financial markets still dominate all international monetary discussions. The meetings of finance ministers in Washington later this week for the Interim committee of the International Monetary Fund and of world leaders in London in less than a fortnight for the economic summit will both be concerned with the results of the continuing large current account surplus of the oil-producing countries (OPEC)—and the problems this poses for adjustment and financing operations.

This has been reflected in concern over the distribution of the corresponding deficits within the rest of the world—and in particular the problems created for the less-developed countries. This has led to proposals to an expanded official role, via an increase in the resources available to the IMF, to match the recent large expansion in lending by commercial banks to these countries, on which there has been considerable discussion.

Adjustment

At the same time, there is the issue of the adjustment process between the industrialised countries and the question of whether the stronger economies could do more to boost the growth of world trade and so reinforce the efforts of the deficit countries to move towards balance.

The other issues likely to be discussed — energy development trade policies and the dangers of protectionism, the North-South dialogue and general economic policy co-ordination — all lead out from this central theme of the sudden change in international payments patterns with the accelerating inflation and major recession of the mid-1970s.

CONTENTS PART ONE:

The starting point is the large OPEC surplus — and the recognition that it is here to stay, until at least the start of the next decade. The initial OPEC surplus of $66bn. in 1974 fell by around half in the following year, both as a result of higher imports and because of the curb on oil exports resulting from the combination of recession, warm weather and conservation measures in the rest of the world.

However, the surplus increased again in 1976 — from about $32bn. to $37bn — as a result of a slower rise in OPEC imports, associated with the financial problems of certain countries and more generally with bottlenecks caused by limits to absorption. At the same time, export revenues were higher as a result both of higher prices and some stocking-up last autumn.

Forecasts of the OPEC surplus in 1977 and in later years have been made more difficult both by the two-tier price increase announced last December and by the build-up of production from non-OPEC sources, such as the North Sea, the Alaskan North slope and Mexico. The view in the U.K. and in other parts of the EEC is that the OPEC surplus is likely to increase again this year and remain at a high level throughout the decade. Others have suggested that the surplus may decline: Morgan Guaranty suggested at the beginning of the year that the overall surplus of OPEC could fall to about $32bn. this year and to less than $20bn. by 1980.

The surplus is likely to continue to be concentrated in three countries—Saudi Arabia, Kuwait and the United Arab Emirates —and indeed more than half the 13 OPEC member countries are either in deficit or approaching it, largely because of the build-up of their development programmes and the associated imports. This has incidentally meant that OPEC countries have recently been increasing their borrowing in Euro-currency and international bond markets.

The deficits corresponding to the OPEC surpluses are distributed very unevenly throughout the rest of the world with the surpluses of West Germany, Japan, the Netherlands and Switzerland totalling well over $10bn. Although progress has been made in reducing these surpluses, and the deficits of Italy and the U.K., it is still generally true that most countries which ran up large deficits after the oil crisis remain in heavy deficit. The aggregate current account deficit of countries within the Organisation of Economic Co-operation and Development is expected to increase this year from the 1976 total of $23bn.

The largest current account deficits have remained those of the non-oil developing countries. Their deficits jumped from $11bn. in 1973 to $30bn. in 1974 and $38bn. in 1975. There was, however, an improvement last year with a fall in the deficit to $28bn. reflecting price increases for some commodities, import restrictions and the impact of various adjustment measures.

Most of the major deficit countries in this group are now committed to adjustment programmes while a further rise in raw material prices should ensure that the deficit of the non-oil developing countries does not deteriorate this year. Indeed given the likely steady, rather than rapid, growth in industrial countries this deficit would have to rise for the developing countries as a whole to sustain their rate of economic growth up to 1973.

Slower

The widespread recognition that the rate of reduction in the OPEC surplus and in these deficits may be much slower than previously hoped has provided the impetus behind calls for further reflation by the stronger industrialised economies and for moves to encourage the export of capital by some such as Switzerland and the Netherlands.

The U.K. has, for example, argued for a symmetrical adjustment process with both surplus and deficit countries taking part, rather than putting almost all the burden on the deficit countries. This reflects concern about a continuing high level of unemployment throughout the world and about the possibility of a continued weak economic recovery.

The U.S. has also been calling for further action by the countries with large surpluses though its stand may now be regarded as more ambiguous in view of President Carter's recent scrapping of his proposed tax rebate. And Japan and West Germany have both been taking a cautious line because of their fears about reigniting inflationary pressures

But even if some progress is made in this direction, the large accumulated and prospective current account deficits create a major challenge for financial markets. It is estimated that during the past three years the non-oil less-developed countries have run a cumulative current account deficit of over $100m. and their combined external debt reached around $180bn. by the end of last year, of which around two-fifths is now owed to commercial banks.

This compares with the 20 per cent. share of these countries lending which was provided by commercial banks in the previous three years, and reflects the fact that official financing has lagged behind needs in this area. In 1971-73, official sources provided nearly two-thirds of these countries' financing needs, while since 1974 the share has fallen to little more than half.

The increased role of the private sector has been the subject of much debate during

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THE I.M.F.

A fresh initiative

THE INTERNATIONAL Monetary Fund may well be on the brink of playing a greatly expanded role in the financial affairs of the Western world after a tumultuous period during which the worst fears about the effects of the oil price have not been realised but very serious problems still remain. Later this week the Fund's interim committee meets to consider an ambitious programme which would widen the Fund's capacity to help members—both developed and developing nations—with persistent balance of payments problems in the aftermath of the four-fold rise in oil prices.

This Fund, which has yet formally to be approved although its broad outlines now appear to be well enough known, is only part of a new IMF initiative designed to expand international liquidity and to put on a more permanent basis some of the changes that have been forced on the world in the last three and a half years.

Its importance lies not only in the fact that if approved it will give the Fund the capacity to help more countries than up to now but also in the fact that it is expected that it will be funded jointly by the stronger industrialised countries and by the wealthier OPEC producers, chiefly those in the Middle East.

At $14bn. or so it will not be enormous when matched, say against Saudi Arabia's reserves but it is regarded by the Fund staff as a major breakthrough because it ties OPEC economies firmly in with those of the rest of the world and, for the first time, make a reality of the myriad "oil facility" plans that have been proposed but have never really got off the ground.

This one may, of course, go the way of the rest but it appears that it is not only the OPEC nations which have responded favourably to the approaches of Dr. Kohness Witteveen, who is a strong supporter of the new Fund and has been canvassing its merits widely.

The proposal also finds considerable favour among countries like the U.S. who realise full well that there are still major disequilibria within the world economy and appreciate the fact that the IMF, alone among international agencies of its kind, has some sort of "teeth." In short they welcome the fact that the Fund can and does play down strict conditions and targets which those who accept its loans must agree to abide by.

This "conditionality" as it is rather inelegantly called was graphically demonstrated last autumn when the IMF set strong terms and targets for a two-year $3.9bn. loan to the U.K. after months of secret and not so secret negotiations. Similar talks on a $530m. Italian drawing have only recently been cleared by the Group of Ten after months of argument over the conditions.

Bound

In the British case the IMF imposed a very tight set of parameters which have effectively bound the current Government and its successor for the length of the agreement. There have recently been criticisms that the terms may have been too tight or at least unnecessarily restrictive in the light of subsequent events, but there is a certain restrained pleasure inside the Fund at the way in which, so far at any rate, the agreement has worked. This has been accompanied by a good deal more optimism about Britain's short-term prospects than was to be found in Washington last October before the agreement was signed.

Dr. Witteveen and his advisers have been painfully aware of the strains that have developed in the world economic framework since the oil price rise. The recession of the past two years, which still lingers in some weaker nations, raised again the spectre that countries would seek through exchange rate manipulation or some other means to steal a competitive march on their industrialised competitors.

The revision of the IMF's articles gives it new powers of "exchange rate surveillance" which it has yet to use. Nor is it clear quite how in practice it will seek to intervene to guide movements of exchange rates in the years ahead. What is clear is that the Fund sees its new oil facility, or whatever it will be called, as one way of preventing too drastic exchange rate fluctuations and also of ensuring continued economic growth in those countries in most serious balance of payments difficulties.

This does not mean that the Fund is opposed to devaluation and revaluation of currencies when needed. Rather does it oppose and is trying to prevent sudden and potentially disruptive "jerks" in the system. Thus there is no doubt that in the case of Britain some of the Fund staff think that the pound is overvalued still in relation to Britain's continuing high rate of inflation. These staff people argue—and did last year during the negotiations—that the British Government should encourage an orderly and gentle downward trend in the sterling rate to ensure that Britain remains "competitive" in world markets.

This view is not by any means universally held. Nor is its obverse—that the Germans and the Japanese, to take the two countries most often named, should encourage their currencies to move upwards so as to make them "less competitive" and to reflect the true relationship between their economies and those of weaker countries.

Both Germany and Japan have been loth to let their currencies appreciate for a number of reasons and for the moment there is little that the U.S. or the Fund can do to alter this situation. Nevertheless Dr. Witteveen is expected to keep up the pressure and it will no doubt be a major topic of discussion both at the Fund meeting and at the economic summit in London in May.

But while the industrialised economies cause some concern there is, if anything, more about the Third World and the mounting debts of some developing nations to the Western banks which have lent them enormous sums in the past few years partly to tide them over as their problems have mounted because of the oil price rise.

Testifying on Capitol Hill last month, Dr. Arthur Burns, chairman of the Federal Reserve Board, drew attention to this problem. He noted that American and other banks had accepted that, in the immediate aftermath of the oil price rise, they had been chosen by the OPEC nations to be *de facto* the main agents of the "recycling" of oil funds as it quickly came to be called.

But Dr. Burns echoed the widespread feeling that it could easily have been otherwise: "It may be necessary to urge upon the OPEC group that they play a much more active role as bankers than they have so far played."

In this respect the IMF oil fund, if approved, will be a step in the right direction, but it will probably not cope with the more immediate problem that Dr. Burns referred to several times in his appearance before Congress and elsewhere. His concern is also shared by other central bankers even if they have been somewhat less forthcoming in public about the subject.

The IMF itself appears for the moment unwilling to go as far as some central bankers—and a number of commercial bankers—would like. For one thing, the Fund is loth to get itself into the position of "picking up the pieces" for loans that have gone sour because of errors or miscalculations on the part of banks which know, or should know, the risks they have to take.

Blessing

But the Fund may well be willing to take part in or give its blessing to the kind of international attempt to monitor questionable loans to which Dr. Burns also referred in his testimony. He said that there was a need for a strong international co-operative effort to deal with problems caused by heavy bank lending to some countries. He sounded no immediate alarm bells and noted that there appeared to have been "some stabilising tendencies."

However, he went on to say that "unless we succeed in finding sound financial alternatives serious strains may develop in the world economy. He disclosed that the Federal Reserve has already begun an informal inquiry designed to determine the dimensions of any possible problem in the future.

Whatever happens there can be little doubt that the next year will see much more discussion about ways to organise the world monetary system on a permanent basis so as to take long-term account of the shift in assets that the oil price has brought with it. Such talks will of course be easier to conduct if the world economy is once again expanding, but if growth fails to materialise as fast as hoped this can only add to the tension that may surround the discussions.

Even so the fund has reason to be fairly pleased with the last three years. There have been problems and its resources are now dangerously stretched. But as Dr. Burns put it, things could have been very much worse and the oil crisis has not brought with it the all-embracing dislocation that was once confidently predicted. However, as one official of the Fund put it recently: "We are by no means out of the wood yet and there is much that could still go wrong."

David Bell
Washington Correspondent

SUPERVISION

A common approach

THE PLANNED U.K. legislation on the licensing and supervision of deposit-taking institutions is being formulated against a wider background than simply the problems of the British fringe banks which provided the main impetus for tightening controls over the system. As Mr. Rodney Galpin of the Bank of England pointed out in a recent paper, the problems faced are international in character and the approach to supervision is by no means parochial.

Frequent discussions and liaison take place between the U.K. central bank and its opposite numbers in the EEC, and in the wider forum of the monthly central bankers' meeting in Basle. And the world-wide character of the problems involved, highlighted by the difficulties in the international banking markets which ran parallel with the U.K.'s own crisis in 1973 and 1974, has been recognised in the establishment of a permanent international committee to keep a continuing watch on developments.

As a member of the EEC, moreover, the U.K. is committed to participating in the development of closer harmonisation of banking supervisory practice within the community. The proposed legislation will enable the U.K. to meet this obligation, and will represent a major innovation in practice. Yet the proposals retain a peculiarly British character. All the influence of the U.K. in the formulation of the EEC harmonisation proposals has been towards retaining a substantial degree of flexibility and informality in the approach towards banking supervision.

The preference of the Bank of England is quite clearly against creating any kind of excessively formal structure of supervision and against the establishment of rigid criteria for judging the solvency of banks. Its approach retains much of its traditional scope for exercising judgment on an individual, bank-by-bank basis. Mr. Galpin underlined this point in his paper to the Institute of European Finance seminar in London recently, envisaging that "the prudential criteria by which we supervise all institutions will be guidelines and yardsticks rather than categorical imperatives."

The British proposals draw in a fairly eclectic way on the practice of a number of other countries. U.S. experience, for example, has provided an example for certain aspects of the considerably tighter supervision which is already being exercised by the Bank, even before the new proposals are put into effect.

The Bank, as a result of its efforts in the past few years, is now receiving much more detailed and more frequent information from the banks and deposit-taking institutions under its wing and has greatly extended the range of relationships which it is concerned to examine. They include various aspects of a bank's profit and loss account and a considerable number of ratios relating to capital, deposits, loans, liquid assets, undrawn commitments and standby facilities. The Bank has also been developing analysis on the lines of the system used in New York, assessing on a points basis the closeness with which the ratios thrown up from a bank's balance sheet adhere to a model.

The U.S. system also provides one parallel for the deposit protection fund which is planned to be part of the new legislation, with the established operation there of the Federal Deposit Insurance Corporation. The main requirement of the European Community, though, is to establish a form of prior authorisation of deposit-taking institutions. It is this which is probably the most radical departure proposed in the legislation from traditional British practice.

The consequence of the proposals set out in last year's White Paper and since then the subject of extensive debate and discussion will be that for the first time there will be a comprehensive system of licensing which will extend the Bank of England's net to cover the whole field and, in Mr. Galpin's words, "eliminate the penumbra of self-styled banks which have confused the public both here and abroad." Also for the first time, the new system will establish a clear definition of which institutions will be recognised as banks and permitted to use that word and its derivatives in their titles and advertising.

Until now the control exercised by the Bank has grown up by natural evolution rather than by statute; and while the Bank's authority over the banking system has not been in question, the fringe bank crisis associated with the collapse of property prices and the weaknesses of the parallel money markets showed up considerable gaps in the system. The problems lay partly in the confusion

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Zones

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the past year, together with some concern about the possibility that some banks may be over extending themselves. So there are doubts about the prospects for loan repayment from some developing countries. But the dangers appear to have been exaggerated since losses have been small so far and lending has in practice been concentrated on the more diversified economies, even if there are not conditions as with official loans.

It is generally recognised that private lending should continue to play a major part but in conjunction with a larger role than in the recent past by official bodies. Mr. Paul H. Boeker, a U.S. Deputy Assistant Secretary of State, recently told a sub-committee of the House of Representatives Banking Committee that a better mix between official and private lending was advisable with any increased official share being designed with appropriate conditionality. Indeed, an expansion in the role of official bodies should bolster lender confidence since the IMF, for example, is in a position to impose conditions and undertake regular surveillance linked to its loans, which a private bank or individual country cannot do.

It is against this background that the proposals for expanding the resources available to the IMF have been put forward, since it is widely seen as the best body both to channel funds and monitor the adjustment process. The problem at present is that the IMF's own resources are now very limited—only about $4bn. in usable convertible currencies — after recent large calls.

The new proposals are discussed in more detail elsewhere in this survey but essentially they involve the creation of a new fund or facility with equal contributions from OPEC countries, notably Saudi Arabia, and from the stronger industrial countries, in particular the U.S. and West Germany. This would follow in the steps of the now exhausted oil facility. It would be intended to provide loans over a longer period than usual with the IMF with the amounts involved geared to needs rather than entitlements under IMF quotas and with conditions in line with the later tranches of IMF loans.

Access

In addition, there are proposals to increase the access of member countries to IMF loans by a further increase in quotas at an earlier date than previously planned. There is general agreement on the need for this.

The needs of the deficit countries, of course, vary considerably. There are some countries which have clearly mismanaged their affairs and others which face a large amount of repayments. It is impossible to generalise and just as some Asian less-developed countries have adjusted quickly to the oil price rise, the payments problems of certain industrialised countries, notably in the Mediterranean and southern Europe, remain acute, requiring finance for many years. Overall, however, the less-developed countries may require less external finance this year than last: while their overall current account deficit may be unchanged, their reserves rose by $11bn. in 1976.

Up and down on the roundabout

THE SHARP movement up and down in interest rates in the U.K. during the past 12 months has been matched by a greater volatility in interest rates elsewhere in Europe, albeit with swings of a smaller degree generally. In marked contrast, interest rates in the U.S. and in international and Eurocurrency markets, have remained lower than would have been thought possible this time last year, reflecting the slow pace of the economic recovery.

The volatility in European interest rates last year, which has lessened considerably in the past few months, reflected uncertainties over exchange rates. This in turn was the result of continuing sharp differences in rates of inflation between the main European economies and in the speed of the balance of payments adjustment process.

The starting point at the beginning of 1976 was a general downtrend in rates both in the U.S. and Europe. This reflected the fall in rates of inflation from the peak levels of 1974-75 and the fact that the main world economies were picking up very slowly from the recession with business demand for loans remaining flat.

The downward drift in rates in most countries between the autumn of 1975 and the early spring of last year was checked in the late winter as uncertainties started to appear in foreign exchange markets. The pressure on the lira, for example, resulted in a doubling in the Italian bank rate between mid-February and the end of March in an attempt, in conjunction with an economic package, to halt the slide in the rate.

The exchange rate crisis in the early spring prompted a rise in rates in other European countries — for example, in Belgium, where there was speculation against the franc, and also in Denmark in order to avoid devaluation. The rise in rates gathered pace later in the spring both on the Continent and in the U.S. where there was increased concern over the rate of growth of monetary aggregates with widespread predictions that demand for business loans would increase.

The rise in rates in the U.S. was, however, fairly modest and barely represented a move back to the levels of the previous autumn. But the combination of this rise and the general upturn in economic activity—which many commentators thought was quite rapid at the time—reinforced the general firming in the pattern of short-term rates. In Italy, the commercial banks had to increase their prime rates from 18 to 19½ per cent., indicating a rate for many bank loans of over 20 per cent.

There was also a sharp rise in interest rates in the U.K. during the spring as the sterling crisis developed and attempts were made to check the fall in the pound by increasing the differential between U.K. and U.S. rates. The Bank of England's Minimum Lending Rate was increased from 9 to 11½ per cent. between late April and late May: eventually, a six-month central bank standby facility of $5.3bn. had to be arranged to halt the drop, at least temporarily.

Contrast

In contrast to the problems of Italy and the U.K. in this period were Germany, where rates remained fairly stable, and Switzerland where the discount rate was actually cut from 2½ to 2 per cent. in order to reduce the inflow of foreign capital.

The pressures elsewhere, however, intensified later in the summer when further speculation about a currency realignment within the Common Market snake increased. The result was a sharp rise in interest rates, in some cases to record levels, as a defensive move.

Bank rate in France, for example, rose to 9½ per cent. in August, compared with 8 per cent. at the beginning of the year—and the rate was to rise to 10½ per cent. later in the year as the anti-inflation package was imposed.

Interest rates were also increased in both the Netherlands and Belgium; by the early autumn, external pressure forced a two-point rise to 8 per cent. in the Swedish discount rate because of speculation over revaluation of the German mark and a 2½ point jump to 11 per cent. in the Danish discount rate after a large rundown in its foreign exchange reserves.

However, this speculation ended in mid-October when the German mark was revalued by 2 per cent. against the Dutch guilder and the Belgian franc, by 3 per cent. against the Norwegian krone and by 6 per cent. against the Danish krone. The Austrian schilling and Swiss franc were also soon revalued. This marked the peak level for interest rates which started to decline in most Continental countries from then onwards.

At the same time, U.S. interest rates had reached their high point in June, and then started to drift downwards as fears about the rate of expansion of the monetary aggregates receded and evidence accumulated that business loan demand was still very sluggish. Prime rates fell to 7 per cent. in August and were down to 6½ per cent. by the end of October, at around the lowest level for more than three years.

There was no comparable easing of rates in the U.K. — and indeed very much the reverse. Pressures on sterling developed from late August onwards as concern increased about the rate of monetary expansion, which was accelerating rapidly in the absence of sales of gilt-edged stock. The initial response of the authorities in the U.K. was to allow sterling to float, which, it did, sharply downwards. This was followed by two separate increases in Minimum Lending Rate, up from 11½ to 15 per cent. This created a historically very large gap over comparable rates abroad, notably in the U.S.

This can be seen in the gap between U.K. and U.S. Treasury bill rates. This was 3½ points in March, before widening to 5½ points in the summer. But following the rise in MLR to 15 per cent. in early October, the gap was nearly 10 points, and this was reflected in the structure of other interest rates.

Britain's hurried approach to the International Monetary Fund did not of itself stabilise the position. The key was the gradual recognition by the market during the late autumn that there would be a major package of economic measures in order to keep the public sector borrowing requirement in check. The announcement of tight ceilings on the borrowing requirement and monetary aggregates, coupled with the re-imposition of the so-called corset on the banks and a change in exchange controls affecting third-country trade carried out in sterling all served to bring about a gradual change in sentiment.

Minimum Lending rate only came down gradually, however, with a cut to 14½ per cent. on November 19, followed by two further quarter-point cuts just before Christmas. Pressures for further cuts developed in the early part of the New Year following the provisional agreement at the January meeting of the central bank governors in Basle on a $3bn. safety net for the official sterling balances. This reinforced the change round in confidence in both the domestic monetary and foreign exchange markets.

Retreat

The Bank of England for some time attempted to check the decline in short-term interest rates, but, in the event, had to retreat in face of market pressures after temporarily delaying actions. The result was that by last Friday MLR was down to 9¼ per cent., the lowest rate since the summer of 1973. At this level, the differential with interest rates overseas has narrowed to a more traditional gap. So the authorities expects some outflow over the next couple of months from part of the recent large build-up in the UK's official reserves.

Elsewhere, the widespread expectation has been that interest rates will be much more stable than last year, reflecting the quieter conditions in foreign exchange markets. This has been reflected in cuts in rates in Belgium, following the strength of the franc and in the Netherlands in order to prevent an appreciation of the guilder.

Greater uncertainty concerns the U.S. where interest rates have been much lower than expected during the last two years. But now, at last, it looks as if interest rates are going to rise, even if only gradually, as the pace of economic recovery has noticeably quickened in the last couple of months with increased demand for loans and also an upturn in the housing market. The administration is determined to ensure that this does not reignite inflationary pressures. While any rise in U.S. rates may not trigger any general rise in Europe, it is possible that 1977 will mark the bottom of the current interest-rate cycle.

Peter Riddell

SUPERVISION

CONTINUED FROM PREVIOUS PAGE

over the wide variety of recognitions, some for only very limited purposes, which were capable of being regarded as conferring banking status on an organisation, and partly in the diffusion of supervisory activities among a number of authorities of which the Bank was only one.

The new system will bring the whole thing together under a single authority, the Bank. The main features include a two-tier system of recognitions, and the planned deposit protection fund; and it is those which have probably caused the greatest amount of argument and debate since the proposals were published, with considerable anxiety being expressed over some of their implications.

Criteria

The two-tier system will distinguish between those institutions which are accorded recognition as a full bank, with the right to use that title and exemption from the licensing rules, and other deposit-takers which will require a licence. The criteria for selecting the first category, the banks, will take into account factors such as the level of capital, the range of business and the reputation and status of the company concerned. By and large, it is expected that the list of banks will be taken from those already holding authorised status under the Exchange Control Act, those with exemption from certain requirements of the Protection of Depositors' Act and those which have permission under Schedule 8 to maintain hidden reserves—those institutions, in other words, which already quite clearly have banking status.

The new regulations could bring some advantages for these institutions; on the one hand, they will be given statutory recognition as carrying full banking status and effective protection of that name; on the other, the character of the supervision to which they are subjected is unlikely to change much. These are the banks which have traditionally had a close relationship with the Bank of England in any case, and the strengthened arrangements introduced in the past few years will continue to operate in much the same way.

For the other institutions, however, the position will be different. Many of them are not at present subject to supervision by the Bank and in many cases may not be represented as part of the City in the same way as the recognised banks. It is by no means clear just how many will emerge once the new legislation is put into effect (the outcome may depend in part on the way in which the official rules are set particularly in relation to minimum capital requirements).

It is this proposal which has aroused most concern among the finance houses over the danger that confining the use of the name "bank" will in effect make other deposit-takers second-class institutions and reduce the possibilities of progression to higher degrees of banking status which have been one of the characteristics of the past system on which the Bank itself has placed some importance.

The concern was expressed, for example, in the recent annual report of the Finance Houses Association. Mr. Ronald Barnes, the FHA chairman, reported: "We have drawn to the attention of the authorities the problems which will arise for those institutions who will be prevented from using the word 'bank' in their titles or in other ways. This will be particularly serious for those companies who for many years, have been making use of the word to describe accurately their activities." The FHA reported that its fears had been allayed on this point, with assurances being given that members' business would be unaffected by the new regulations; but the far-reaching consequences of not being allowed to use the name bank for those in the licensed category were "still under study."

The deposit protection fund has been the main topic of controversy among the banks, and particularly the big clearing banks which will inevitably provide by far the greatest part of any funds involved. They would prefer to avoid such a commitment, arguing that they would in effect be contributing funds to a rescue fund which they themselves would not need. The authorities insist, however, that some added protection for the depositors will be required even with the licensing system and extended supervision, since these would in no sense provide an absolute guarantee of the solvency of the supervised institutions.

The debate over its precise form, though, has proved complex. It is agreed that there should be some limit on the size of deposits covered—the White Paper proposed the first £10,000 of any deposit; there will probably be an exclusion for "connected" deposits with any institutions—those made for example by directors and their families; and a case is recognised for offering protection to only a proportion of any deposit, in order to retain some element of "caveat emptor" in individual decisions to put funds with any institution.

Reciprocal

It is also intended that sterling deposits of U.K. branches of foreign banks will be included, implying possibly reciprocal arrangements with other authorities running their own deposit protection schemes. This Mr. Galpin commented, would "intensify the desirable trend towards closer contact and co-operation between supervisory authorities throughout the world."

The exact nature of the fund, however, has proved more difficult to agree. Many big banks would generally prefer a guarantee element in the arrangements, providing for members to meet calls on the fund when required, as an alternative to the straight payment of money. This has the disadvantage that an institution which failed would be the only one not to contribute to repayment of its depositors, and the fund itself would have no income to cover its expenses. The best known example, the FDIC in the U.S., relies on premium payments from the insured banks, but this has the difficulty that it takes some time for the fund to build up to a suitable level. This could be overcome through lump sum payments, but this approach is less palatable to the banks because it would have an immediate impact on their profitability.

The attitude of the big banks was summed up by Lord Armstrong, the chairman of Midland, in his annual statement. He said: "We are not entirely convinced that the clearing banks need contribute to a deposit protection fund. Such a fund is quite unnecessary so far as the clearing banks are concerned; and if it is thought to be necessary for other deposit-taking institutions, it seems to me that equity suggests that those institutions should provide it."

There are a number of other important issues which will have to be sorted out before the legislation is finalised. They include the vital point of the level of minimum capital which will be required for deposit-taking institutions and the definition of capital to be used; and the exact powers which will be given to the Bank to exercise sanctions over the institutions under its supervision. Inevitably, the new system will bring a greater degree of formality into the U.K. banking supervision arrangements.

But the aim of the Bank of England remains to operate as informally as possible within the system. At least with the recognised banks, it will certainly try to retain the personal nature of its interest, placing importance on knowledge of who is running a particular institution as well as on a flow of information about how it is being run. To a considerable extent, therefore, the U.K. will retain the special character of its supervisory arrangements which distinguish them from more legalistic techniques in use elsewhere.

Michael Blanden

Future surpluses may dwindle

CALCULATING PAST surpluses of the Organisation of Petroleum Exporting Countries and predicting future ones has become a game played by more and more institutions in the international banking community. A wide variety of figures continue to result from these exercises. However, all agree that the oil producers both collectively and individually did better in 1976 than had originally been expected.

In 1977 the excess of revenue over expenditure is likely to be lower and probably back to the level of 1975 unless there is a surprising improvement in OPEC's terms of trade. Meanwhile, the concentration of an increasing proportion of the surplus in the hands of Saudi Arabia, Kuwait and the United Arab Emirates—or more precisely Abu Dhabi—will go on.

The final outcome for 1976 was affected by the surge of buying in anticipation of the OPEC ministerial conference at Doha and amid fears of a far heftier price rise than the one imposed at the divided meeting. The 12.6 per cent. increase in members' total production followed a decline of 11.5 per cent in 1975 and static output in 1974.

At the same time the receipts of the producers were boosted by the premium paid on many consignments of oil during the stockbuilding of the end of last year. In contrast to production, total oil revenues rose by nearly 17 per cent., according to Bank of England calculations. The International Monetary Fund reports total exports of OPEC members were up by no less than 19.5 per cent. from $109.3bn. to $130.7bn. compared with an increase for the industrialised countries of the world of only 11 per cent.

This may have left an investable surplus more in the region of $37-38bn. arrived at by most analysts rather than the $33.2bn. arrived at by the Bank of England whose calculations are based only on estimated oil revenues.

Four months after the new price levels came into force it is still difficult to assess the affect of the unprecedented OPEC split-decision at Doha. However, it is clear that Saudi Arabia and the UAE are determined to limit their increment to 5 per cent. for the whole of the year. With Indonesia, which in practice gave support by raising its prices by rather less than 6 per cent., they accounted for more than 12m. barrels a day, or 39 per cent., of 30.5m. b/d total OPEC output in 1976. This year the proportion will be greater if Saudi Arabia fulfils its target of bringing its production up to a rate of 10m. b/d compared with the 8.5m. b/d achieved in 1976.

The majority who decided on an immediate 10 per cent. and another 5 per cent. to follow from July 1 may well leave the divisive question alone when OPEC meets in Stockholm later that month. Thus, it looks as though the average increase will probably be nearer 7 than 8 per cent.

For the full year demand seems unlikely to rise by more than 2 per cent. At the most this would give additional oil receipts of $10-11bn. bringing the total to $120-125bn. Notwithstanding higher earnings from other sources the continued growth of imports in absolute and relative terms is likely to reduce the overall balance of payments surplus to something in the region of $32-35bn. according to several recent forecasts.

Shock

Once the consuming world had overcome the shock from the 1973 price escalation it became clear that only Saudi Arabia, Kuwait, the UAE and Qatar of the others could be regarded as surplus States in the long-term. Within a year the concentration of the greater part of the unspent revenue in their hands was becoming a fact. The quadrupling of oil prices meant a rapid accumulation of liquid assets by the main producers—Algeria, Indonesia, Iran, Iraq, Libya, Nigeria and Venezuela.

For the most part their surplus revenue is accounted for by the reserves recorded in the IMF statistics. In the course of 1974 the total held by these seven OPEC members rose from $8.2bn. to $25.48bn. Their reserves were only marginally up to $25.81bn. by the end of 1975, a year which saw a decline in those of Algeria, Indonesia, Iraq and Libya. Last year they moved ahead to $28.7bn. at the end of November: apart from the slowdown in the rate of expansion of imports by OPEC members there was also the boost to production and market prices.

Yet, at the same time, these producers, together with Gabon and Dubai, a member of the UAE, borrowed no less than $3.89bn. from the Eurocurrency markets in 1976—with Iran responsible for $1.4bn., Venezuela nearly $1.2bn., Algeria $583m. and Indonesia $461m. In the first quarter the amount raised by what one might call the non-surplus producers was put at nearly $3bn. in the most recent edition of Morgan Guaranty's World Financial Markets. As a lender to the Eurocurrency markets Libya, whose reserves last year rose from $1.8bn. to $2.7bn., could be said to be still in the surplus category.

IMF statistics are no guide, however, to the accumulation of assets by the undoubted surplus States because of the funds channelled by them into longer-term investments. For instance, Saudi Arabia's published international reserves at the end of 1976 amounted to $23.2bn.—but would have been less than half the Kingdom's foreign assets. According to the records of the Saudi Arabian Monetary Agency (SAMA), *these amounted to no less than* $53.79bn. by mid-November. Included in this figure was gold and foreign exchange held by SAMA's issue department as backing for the currency.

The balance of $49.50bn. deployed by the banking department was made up of two broad categories—$23.82bn. in deposits with other foreign banks and $23.60bn. in "other foreign investments." As far as the Saudi Goverment is concerned these are all "public funds" and the intent is to absorb as much as is possible domestically while also setting aside 10 per cent. of revenue for foreign aid.

It is impossible to say how much of the $50bn. might be considered as longer term investment—not least because such a concept does not officially exist. A surprisingly large proportion—perhaps approaching 50 per cent.—could have been attributed to various State institutions and agencies, contributions to the Saudi Development Fund and other regional aid organisations, other expenditure commitment and also the accounts of commercial banks. Notionally these might be considered as covered by bank deposits—which would also be classed as international liquidity.

Other foreign investments would have covered contributions to the IMF's oil facility, bilateral aid and loans, lending to international agencies, World Bank and other bonds, gilt-edged securities and some equities. Unlike Iran, Kuwait and Libya, Saudi Arabia has not sought to purchase a stake in a leading Western industrial company nor has it bought any real estate. It has, however, invested large amounts in fixed-interest securities, for the most part Treasury bills and bonds, but since 1975 has also gone into top-rated corporate bonds.

While the bulk of Saudi assets are inevitably in dollars, SAMA has not been active in the foreign exchange market and generally switches currencies only to make a specific investment. It is not just a question of its small staff and qualified personnel indicated by the hiring two years ago of a management team from Baring's and White Weld. There is also the Kingdom's concern with economic stability.

This also explains the Kingdom's extensive collaboration with the UN, the IMF and the World Bank. It is expected to contribute no less than $4bn. to the $14bn. special fund being arranged by the IMF to assist countries with chronic payments problems. Its sterling holdings have been relatively only a small part of total assets but they are by no means insignificant. Saudi Arabia has been careful not to disrupt the currency and has been considering *seriously the purchase of the* foreign currency bonds offered by the Bank of England to help phase out sterling's traditionally trading role.

In its last financial year 1975-6 (ending last July) the Kingdom succeeded in spending no less than $21.82bn. of its $30.17bn. revenue. To contain inflation it has set out to limit spending to no more than $33bn. Oil revenue in calendar 1973 was about $35bn. and with over $40bn. in prospect this year another $15bn. may be added to the country's assets when other income is taken into account.

Kuwait's published international reserves—$1.66bn. at the end of 1976—are even more misleading as an indication of the extent of the State's accumulated assets. The assets handled by the Central Bank as cover for the currency and to cater for routine import needs are distinct from the funds in the State General Reserve, which is handled by the Ministry of Finance, are worth as much as $20bn. according to recent calculations. In the three-and-a-quarter years from March 1973 to June 1976 (when the fiscal year was extended by three months) the total surplus amounted to no less than the equivalent of $11.3bn.

But, with rising Government expenditure, more stable oil prices and a decline in the State's production, the revenue available for disbursement as aid and for investment has fallen. Last year output edged ahead by 3.2 per cent. to 2.15m. b/d but that was well short of the 2.54m. b/d of 1974. This year Kuwait will suffer more than any producer from the two-tier price system. It is possible that a surplus *estimated at $5bn. in 1976 will be* cut to $3-4bn. despite the 10 per cent. hike in per barrel revenue and investment income of $1-$1.5bn.

Now officially defined as the Reserve Fund for Future Generations, the SGR embraces a wide variety of investments, not all of which could be regarded as strictly commercial. The most recent breakdown by category for the end of 1975 when assets were worth $11bn., was as follows: 44 per cent. in long-term investments and real estate outside the Arab world, 25 per cent. invested in Kuwaiti companies or on deposit with local banks, and 32 per cent. spread equally among loans to Arab States, contributions to international organisations, securities and short-term deposits.

Spreading

The Government had continued its policy of spreading its investment in equities and real estate through a dozen or more portfolios in the U.S., West Europe and Japan. Since the dramatic purchase in 1974 of stakes in several large public companies, the emphasis has been on diversifying share and property portfolios, with the U.S. the most favoured market.

The Ministry of Finance is continuing with the policy of ploughing surplus revenues into the bond market through the Kuwait Investment Company (KIC), the Kuwait Foreign Trading and Contracting and *Investment Company (KFTCIC)* and the Kuwait International Investment Company. (The State has 50 and 80 per cent shares respectively in the first-two names.) Together KIC and KFTCIC were responsible for over $1bn. in issues in 1976—rather less active than in the previous year allegedly because of an anti-Arab bias.

As for the UAE, a clear distinction must be made between Abu Dhabi, the main producer, and Dubai with its much more modest petroleum income. While Abu Dhabi has sought to invest surpluses for almost a decade, Dubai's revenues are heavily committed to industrial and other development projects. Last year Abu Dhabi may have recorded a surplus of as much as $1bn. from oil revenues of up to $5.5bn. despite the increased demands of the federal budget and generous aid disbursements. On paper, at least, there appears to be little excess in prospect though actual expenditures may fall short of the target.

At the beginning of this year the Abu Dhabi Investment Authority was believed to control assets of about $4.5bn. including $2.5bn. invested long-term, $1bn. in liquid form and up to $1bn. in unspent revenue from the previous year. In the equity portfolios U.S. shares predominate. Bonds are prime corporate issues in both America and the European markets. The $36m. stake in the Commercial Union building purchased in 1974 is still the most significant property holding.

Dubai's income from oil last year would have been more than $1bn. Its finances are particularly obscure because no distinction is made between t Emirates' resources and t Ruler's own privy purse. Havi borrowed over the years b significantly increased its oblig tions last winter with a $225 Euro-dollar loan and a $202 suppliers' credit—which was t largest yet to be backed by t Export Credits Guarant Department.

Qatar too is singularly de dent in budgetary statistic Total income may have reach $1.5bn. in 1976, generati excess funds of as much $500m. for deployment by t Qatar Investment Office. T assets disposed by it were b lieved to have been wor $1.5bn. at the start of 19 spread across 10 portfoli arranged according to differe currencies—two in U.S. dollar two in Japanese yen, two Swiss francs, one in sterling, o in Deutschemarks, one in Frenc francs and one in Canadian dc lars. They were said to conta a broad array of equities, co vertible bonds, loans to an deposits with trusts, certificat of deposit and Governme securities.

The State is evidently anxio to build up this source of alte native income. However, in th and coming years its financia resources look as though the may be squeezed by spendin Recently Qatar has been neg tiating loans of no less tha $600m. to finance a petrochem cal complex and other project

Richard John

GOLD

Continued strength in the market

THE GOLD PRICE stood up unexpectedly well last year to a number of adverse pressures on the market. The most important was the beginning of the regular series of sales of the metal by the International Monetary Fund, designed ultimately to unload a total of 25m. ozs (some 775 tonnes) to finance a special fund for the developing countries. The prospect of these auctions had been hanging over the market for a good part of the previous year and was one of the major factors contributing to the reversal of the price from the peak levels reached at the end of 1974. The downward trend *continued through the first half* of last year; but towards the end the market had learnt to live with the IMF auctions and has maintained a strong underlying tone through recent months.

The *agreement* on the IMF sales was finally settled early in January, 1976, at the Jamaica meeting of Finance Ministers, and had a strong and continuing psychological impact on the market. The actual amount of gold involved, in a year when supplies from other sources were also increased, represented less than 8 per cent. of the total. But the view gained ground that the volume of official sales would be too large for the private *market to absorb.* Hopes of support for the price rested on the possibility that official buyers would come in; but even though the French expressed the intention of taking some of the Fund's gold, speculators and investors started to liquidate their positions early in the year.

A period of uncertainty in exchange markets helped to produce some stimulus to the price of gold, but the market remained relatively weak. At the beginning of May the IMF *announced its detailed plans*; the first auction was to be held on June 2, offering 780,000 ozs and using the common price system under which gold would be sold to all successful bidders at the same price. The main topic of debate in the market was then how far the central banks would come in and bid for the metal through the Bank for International Settlements.

Encouraging

The outcome of the first auction proved in the event at least temporarily quite encouraging, with the price fixed at $126 an ounce and reports indicating that the BIS had bought some 20 per cent. of the total *for its own account and* for central banks. But disappointment followed when it emerged that the French and Swiss central banks had bought only small quantities, and by the time of the second auction in July the market was in a depressed mood. The auction price of $122.05 was generally felt to be too high, and successful bidders were anxious to sell quickly.

The selling pressure took the price below the $120 an ounce level, which had been felt to be some kind of floor, and in increasingly nervous trading the price dropped to $103.05 at the end of August, over 26 per cent. down since the beginning of the year. The growing concern over the impact of the sales and the possibly counter-productive impact on the amounts being raised for the developing countries was clearly expressed in early September when Italy announced its intention of asking the IMF to hold its auctions less frequently — a proposal quickly supported by other Finance Ministers of the EEC.

Ironically, however, it was at *about this time that the market* began to take a turn for the better, with aggressive though short-lived buying apparently from the Far East. The September auction produced the lowest prices yet, with gold being sold on the bid price system—under which successful bidders paid the price they offered — in a range of $108.76 to $114 an ounce. But the sale attracted more interest than had been expected, and the outcome finally removed the fears of a collapse *in the market.*

The result of the October auction gave further confidence to speculators and investors, and by mid-November the gold price had recovered to nearly $139 an ounce, showing a rise of almost 35 per cent. from its lowest level in less than three months. The market saw very heavy turnover as large supplies from producers and the Soviet Union were readily absorbed. Nervousness in the market continued to accompany the auctions, *but the undertone has* continued strong. The decision by the Fund this year to hold its auctions monthly rather than every six weeks, offering 525,000 ounces at a time, has also helped to smooth out their impact, and at the last one in early April the metal was sold at an average price of $149.18 an ounce. So far profits from the Fund's sales total $506m.

The market's ability to overcome the uncertainties during the year reflected in large part a renewed increase in the demand which was able to balance a higher volume of supplies. On the supply side of the equation, the Fund sales, though an important element in the market's reactions, were *only a part of the story.* The trend of declining production of newly-mined gold, which had been evident since 1971, was halted. The total produced last year was 955 tonnes against 950 in the previous year, with South Africa's *contribution* rising slightly from 708.1 tonnes to 709.1 tonnes.

At the same time, according to the estimates produced by Samuel Montagu, there were sales of over 300 tonnes by the Soviet Union, more than double the amount which reached the market in 1975. The sales occurred mainly during the second half of the year, and were the highest since 1965. Sales by the Fund and central banks are put by Montagu at about 200 tonnes. And though there was an active business in both directions by speculators and investors, Montagu believes that on balance there was a net disinvestment by these holders adding further to the supplies.

The total supply is put by Montagu at 1,570 tonnes, compared with 1,170 tonnes in the previous year. Yet this increased volume was finally absorbed quite easily, with a substantial increase in the volume of purchases for industry and hoarding even though it was only towards the end of the year that these made a marked impact on the price. Both these elements in demand have shown wide fluctuations in recent years, but last year their upswing coincided. *In* the Middle East, particularly in the OPEC countries, growing wealth and inflation created a sudden upsurge in the demand for jewellery. And even in the industrialised countries, where economic recovery was slow, Montagu reports that there was an average increase in industrial offtake of the metal of over 10 per cent.

GOLD PRICES AT THE IMF AUCTIONS
($ per ounce)

1976	June 2	126
	July 14	122.05
	Sept. 15* ...	108.76-114
	Oct. 27* ...	116.80-119.05
	Dec. 8	137
	Jan. 26	133.26
1977	March 2* ...	145.55-148
	April 6* ...	148.55-151

* Bid price auction.

Jumped

Montagu estimates that the Middle East purchases of gold last year jumped to 380 tonnes compared with only 100 tonnes in the previous year. At the same time, there was a rise in demand in the markets of the Far East, with total buying *estimated there at about 330* tonnes—double the amount taken in the previous year. The big Middle East demand for jewellery was also reflected in the Italian market, an important traditional source of simple *jewellery, where Montagu esti*mates that the volume of gold absorbed jumped from some 90 tonnes to about 200 tonnes. And the improvement in economic activity in the U.S. was reflected in increased purchase for industrial purposes.

So far this year the market has shown continued strength on the basis of further investment and speculative buying, and at present many observers see the possibility of a generally stable and perhaps rising market during the course of the current year if the jewellery demand is maintained. Nevertheless, there are continuing uncertainties over the future of the price, still mainly related to the remaining functions of gold in the monetary system.

One of the main planks of the case which has been made for gold as a long-term investment, *the prospect of a continuing* decline in supplies of new metal, may in any case be coming into question. It has for some time been argued that the trend towards lower production evident in recent years would continue for the foreseeable future, partly as a result of the incentive to process lower-grade ores which is given by higher prices. Last year's outturn, however, appeared to contradict this thesis, and Montagu at least argues that gold production will increase over the coming years as higher-grade ores are mined because of rising costs and possible shortages of labour.

If this supply element is supplemented by further heavy official sales, many observers wonder how long the private market will prove capable of absorbing the amount of metal available. The biggest cause of concern lies in the efforts being made to eliminate the role of gold as an official store of value. *It* has already been agreed in principle that gold should be dethroned, with the special drawing right of the International Monetary Fund increasingly replacing the metal's role in the international monetary *system.* *It only requires* the proposal to be ratified by the member Governments for the change to become effective, and it is expected that this ratification will happen some time in the last quarter of this year.

It is here *however, that an* element of contradiction enters into official attitudes. With the official price abolished, it is to be expected that central banks will increasingly value the metal at its market price. But for those banks which hold any *significant* quantity of their reserves in gold, it is not obviously in their own interests to allow the market price to be heavily depressed. Nor is it clearly in the interest of the IMF itself, with the responsi*bility for the series of auctions* to provide funds for the developing countries.

If central banks decide to mobilise their gold assets on any scale, it is clear that their activities could swamp the *market*; the size of private demand would be nowhere near enough to absorb the amounts of metal which are potentially available. It is for this reason that many people close to the market expect that the central *banks will* in their own interests intervene to ensure some stability in the market. They will need to protect the value of their own reserves, particularly where these are used as security for international *loans or* swaps, and it is thought that some method will have to be worked out to prevent exaggerated gyrations in the market price.

Michael Blanden

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CONSORTIA

Growing U.K. participation

THE TRANSFORMATION in the character of the U.K. banking system towards a greatly increased international involvement has been underlined by the annual reports which have been produced recently by the clearing banks. At Lloyds, Sir Eric Faulkner took the opportunity on his retirement as chairman to review an eventful period in which the bank had undertaken a major expansion in its international coverage. Similarly, at Barclays Mr. Anthony Tuke underlined the change in the bank in the past five years, pointing out that it had developed from being a major domestic institution with substantial investments abroad into a widely represented international organisation.

Both of these are banks which have been able to build on the basis of an established overseas operation, established in an earlier era when the London overseas banks represented the financial arm of the British Empire. The development of Lloyds took a major step forward with the acquisition of the Bank of London and South America between 1970 and 1973 and its merger with the existing Lloyds Bank Europe. For Barclays, the big step was the purchase in 1971 of the minority interest in Barclays DCO, enabling the group to consolidate its international interests into a single expanding organisation. Since then both banks have taken further important steps towards extending their international representation, particularly in the U.S. and other leading financial centres.

As a result of the developments of the past few years these and the other big U.K. clearing banks can now claim to be far more fully represented abroad and capable of meeting the requirements of their own multi-national customers. The U.K. banks, it is generally admitted, started relatively late in this area, where their U.S. counterparts had to a considerable extent taken the lead. Through a variety of routes they have now done a great deal to catch up, and their international business has accounted for a growing proportion of their profits. An important part of this activity has been contributed out of London by the growing involvement in the international Eurocurrency markets by the banks, both directly and through their various associated interests.

Some of the most obvious differences of approach have also, however, arisen in this area, where the big U.K. commercial banks have taken markedly varying attitudes to the usefulness of associating themselves with banks of other nationalities in the consortium groups and international co-operative arrangements which have played a significant part in the development of these markets.

Lloyds, on the one hand, has consciously avoided this kind of involvement, to the point of selling the stake in London Interstate Bank which it acquired with its Californian interests. Barclays has, by and large, shown a preference for owning its overseas operations, but has nevertheless linked itself with the Associated Banks of Europe (Abecor) group of seven European banks, aimed to develop a full range of co-ordinated financial services.

Midland is similarly involved with the European Banks International Company (EBIC), a European banking co-operative group with a number of important offshoots including the London-based international merchant bank, European Banking Company, as well as having stakes in Standard Chartered, UBAF Bank and Midland and International Banks. National Westminster has tended to stand out in contrast with banks such as Barclays, which have developed substantial interests in retail banking activities abroad, by concentrating on building up representation on a selective basis to participate in the international wholesale banking business. NatWest's international activities, however, have also been developed through its participation in the Orion consortium group, an organisation which partly because of the strength of its shareholders has stood out among the London-based consortium groupings.

The special character of this group also highlights one of the recent trends among the consortium banking groups in London. This label is attached to a number of institutions which have the common characteristic of being institutions mainly engaged in international banking business, particularly in the Eurocurrency markets, and owned by a number of other usually multinational banks.

But Orion prefers to distinguish itself from this general description as a bank which has built up its own name and reputation in the market. And one of the major developments of the past couple of years has been the trend for the consortium operations, many of which were set up chiefly to provide a participation in the Eurocurrency markets for their shareholders, to develop their own individual styles and specialities.

Over the past couple of years the consortium groups have had the opportunity to recover their poise after the earlier difficult period in the Eurocurrency markets, and the results produced by the banks in this category in the past year have generally shown some substantial profit increases. The multinational banks have benefited considerably from the high level of activity in Eurocurrency business, and a number of trends have emerged in their development.

One is for some of them to develop more actively into a full international investment and merchant banking role. Instead of acting mainly as participants in large-scale medium-term international lending operations, a number of the consortium banks have deliberately set out to increase the proportion of their profits which are gained from fee income, arising from activities in managing and helping to put together the loans and in offering advice to their company customers.

One consequence of this trend may have been to contribute to the tendency for the U.K. merchant banks to reduce their involvement in consortium operations. They have seen these associates developing into direct competition for precisely the kind of services which have traditionally been the preserve of the London merchant banks. At the same time they have become increasingly aware of the need for substantial resources to support large-scale lending activities — resources which are available to the commercial banking participants in international groups on a scale not generally possible for the merchant banks.

A second feature of recent developments has been the trend towards greater specialisation. Those banks which started as generalised lending operations have in a number of cases built up special skills in certain areas. More recent arrivals on the scene have included a number which are geared either to specific industrial areas, as is the case with International Energy Bank or to geographical regions, such as the Libra Bank with its Latin American speciality.

Over the past couple of years, therefore, the pattern of multinational development by the London banks has begun to settle down. The consortium banks have increasingly established their own identity and diversity as distinct operations from the mainly commercial banks which are their shareholders. The big U.K. commercial banks, in their turn, have gone a long way towards creating a fully international service for customers founded in some cases on the traditional overseas business of the London banks but more and more geared to the activities associated with representation in the major financial centres of the world and in participation in the supranational Eurocurrency markets.

Michael Blanden

INTERNATIONAL

Record volume of business

THE PAST YEAR has been extremely busy for international bankers whether their speciality is new issues, bond trading or lending. The volume of business reached record levels, while there have been significant structural shifts which are likely to be permanent rather than merely reflections of cyclical changes in the market.

First there was the continued rebuilding of confidence in the international financial system after the shattering experiences of 1973-74. Last year was not quite back to normal for investors—fears of a renewed surge in inflation rates continued and as a result maturities of international fixed interest rate stocks remained well below what used to be the norm of 15 years. However, the sheer volume of investment money pouring into the new issues is vast, even allowing for the fact that a significant proportion of demand for new issues may be coming from banks buying for their own book in order to take advantage of the differential between bond yields and interest rates on the inter-bank market.

The other two factors, the low levels of interest rates (by the standards of the current interest rate cycle at least) and the low level of industrial activity in most industrialised countries are clearly inter-connected.

The low level of inter-bank interest rates has shifted investment funds from bank deposits into the bond market, while the low level of industrial activity combined with companies' capacity to raise long-term capital has forced banks to seek lending opportunities outside their home economies.

Inflows

At the same time, major international imbalances continued, so there was always a ready demand for what were effectively foreign currency funds to provide sufficient capital inflows to cover current account deficits (though it should be emphasised that both in the case of the international bond market and the Eurocurrency lending markets, a number of countries continue to be excluded as on the grounds of credit risk).

On the basis of Morgan Guaranty's analysis, the biggest single country borrower last year was Canada (nearly $10bn.). Other major borrowers were Brazil ($3.4bn.), France ($2.9bn.), U.K. ($2.6bn.), Mexico ($2.3bn.), Japan ($2.2bn.), Spain ($2.2bn.).

Other countries accounting for more than $1bn. last year, according to Morgan Guaranty, were Norway, Sweden, Denmark, Australia, the Philippines, Iran and Venezuela.

The underlying situation has basically remained unchanged so far this year. In the bond market there was a period in the first two months of the year when, largely because of the new U.S. Administration, expectations that interest rates would rise sooner rather than later produced the first notable weakness in market conditions since 1975. However, the fact that a rise in interest rates failed to materialise, and President Carter's toning down of his expansionary policies caused the markets to rebound with renewed vigour.

In the Eurocredit sector, there has not been even a momentary setback in lending activity. The pressure of high liquidity has continued to lead to competitive rate cutting by banks and though no one expects margins charged over inter-bank rate to go to anything like the levels seen in 1973 and 1974, the question of when the floor will be reached and at what level remains.

The general tendency of the structural developments in the market has been to increase the available liquidity, both in the Euro-credit and the international bond sectors. These developments mark a further shift of long-term financial activity from domestic banks and capital markets to the international arena.

One notable case in point has been the emergence of the big Swiss banks as an initiating force in the dollar sectors of the international bond market. Long substantial takers of securities issued, the Swiss banks have only in the current interest rate cycle started to move into leading underwriting groups for new issues in a big way.

According to the Inter-bond Services analysis of lead managers in the market, Crédit Suisse White Weld moved from eighth to third place as a lead manager between 1975 and 1976, and Union Bank of Switzerland Securities moved from fifteenth to seventh place. If one judges the position by numbers of co-managements, then the big three Swiss banks take first, second and third place in the league table.

A second group of banks which have been increasing their activity in the market recently are the Japanese. For the Japanese it is a case of

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Saving public funds

JUST RECENTLY the British Government has adopted a new policy on export credits aimed at relieving the considerable drain on public funds which these credits have come to represent. By directing that buyer credits be financed in foreign currencies the Government aims to reduce the refinancing element of export credits and, at current interest rates, also reduce the interest rate subsidy.

While these measures are proving far from popular with exporters and their bankers, not least because of considerable buyer resistance, and so far no buyer credit has been financed in a foreign currency, their value as a means of cutting back public expenditure is evident.

Foreign currency financing thus seems likely to solve the Government's more immediate difficulties in the export credit field but the wider and more long-term problem is the artificially soft terms on which credits are offered to foreign buyers to the extent that industrialised countries are often accused of giving away their exports. It is a particular problem for countries such as the U.K. where domestic interest rates are high. *But there is just a glimmer of light on the horizon in this area too.*

For several years now the main exporting countries—the U.S., Japan, Britain, France, West Germany and Italy — have been negotiating in an attempt to limit this self-defeating competition whereby individual countries find themselves progressively undercutting each other in their efforts to win contracts, especially in Eastern Europe and the developing world.

But despite being termed a "Gentleman's Agreement" these negotiations have proved extremely difficult, often ending in after disputes both between the U.S. and Europe and within the EEC itself. In May 1975 the talks broke down, largely because of failure to reconcile U.S. insistence that subsidised interest rates be eliminated and its desire for long repayment periods more closely related to the length of the particular contract, with the equally adamant view in Europe, and France in particular, that the length of credit should be curbed as much as possible while keeping interest levels low. Another disputed issue was the largely French practice of mixing aid with export credits — *crédits mixtes* — which the U.S. especially, but some Europeans too, wished to restrict.

Negotiations were revived later that year mainly bilaterally by France and the U.S. and then at the Rambouillet economic summit meeting in November when the participants agreed to "intensify efforts" to achieve a prompt *conclusion of the export credit* talks. But this vow precipitated another dispute in that it demonstrated that agreement, if any, would be reached on a country-to-country level—effectively bypassing the EEC Commission which itself had been working for some time towards harmonisation of export credits within the Community.

Faced with this situation the Commission promptly sought a ruling from the European Court.

The Court ruled that export credits was, under the Treaty of Rome, *a matter for Community* competence which meant that member governments should agree a mandate for the Commission to undertake the negotiations on their behalf. To this the French in particular were totally opposed, not least because it seemed that the Commission would tend to lean towards the U.S. desire for an *elimination of subsidy.*

But with the ruling under its belt the Commission was able to threaten member States which chose to negotiate independently with Court action. In the event this was enough, in the first place, to mobilise the members concerned into arriving at a compromise agreement with the U.S. and Japan in June of last year (the Puerto Rico agreement) and, more recently last month, got approval by EEC Finance Ministers of a joint Community position.

So the Commission has in the end achieved much that it set out to do in that it has obtained a consensus within the EEC on export credits and now has the mandate to negotiate on behalf of member states in future *international discussions.*

The terms agreed by the EEC consensus are those set out at the *Puerto Rico meeting last* June and which were simply guidelines agreed informally and announced unilaterally by each country involved but which were in fact identical. They set out minimum cash-down payments, minimum interest rate levels and maximum repayment periods for three categories of countries—rich, intermediate and poor—each determined by the GNP per capita for export credit on terms of two years or more.

Crédits mixtes were also regulated to the extent that if the grant element is below 15 per cent. there must be advance notice and consultation and if it is between 15 and 25 per cent. there must be notification after the event.

Dispute

The *Puerto Rico* guidelines were inevitably not acknowledged by the EEC Commission. So the intra-Community dispute wrangled on until France finally dropped its ideological objections—although the reasons for its change of heart after adopting a hard line for so long remain a mystery. But this, coupled with progress in determining the mechanism for allowing derogations from the guidelines to allow members to move outside the guidelines to match terms offered by third countries, finally sealed an EEC *consensus on export credit.*

It may be argued that the consensus is merely a convenient *form of agreement which* effectively allows those involved to do much as they like. If one member wishes to deviate from the guidelines, all that is required is that other members be notified. On a wider level the *guidelines do not cover certain* important sectors such as agricultural products—an area where there is considerable disagreement between Europe and the U.S. Nor do they cover nuclear plant where changing U.S. policy will inevitably affect its credit terms. Key sectors *such as aircraft and shipbuilding* covered by OECD are also outside the scope of the guidelines.

In addition, the guidelines do not apply to existing agreements—which throws up the whole *thorny issue of those* very cheap credit deals offered to the Soviet Union. On the one hand no Exim Bank credit is available to East bloc countries from the U.S. following the Jackson Vanck Amendment to the 1974 Trade Act — the buyers have to pay cash (a fact which many of those countries which concluded largely un-used cheap credit packages may in retrospect well envy), while there is considerable variation within the EEC on East bloc credits.

The £1.56bn. French credit deal signed with the Soviets in 1974 does not run out until 1979 while the much-publicised £950m. package offered by the then U.K. Prime Minister *Harold Wilson in February 1975* was also for five years, so will run until 1980. By contrast the Italians have signed three Soviet credit deals—one for £234m. signed in 1973, which *expires this year but which has* already been fully utilised, as has another for £500m. signed in 1975 and which was to have run through to 1979. A third for £110m. also signed in 1975 and again due to expire in 1979, has not been *fully utilised but it* seems it soon will be as the Soviets have just recently been in Italy seeking a new credit deal worth $650m. It will be interesting to see whether the terms will comply with the consensus.

More important both the French and U.K. deals allow for *a revision of interest rates at* pre-determined stages in the agreements. The first of these comes up in June of this year when the French and the Soviets are due to renegotiate. The U.K. will obviously be watching closely to see whether the revised rates fall within those set by the consensus *before tackling its review with* the Soviets, also due this year.

The Belgians too signed a credit deal with the Soviets in February of this year, albeit a rather smaller one of £40m. which only runs for two years, while the *Canadians* extended a $C500m. line of credit to the Soviets in February 1975 a major part of which expired at the end of last year but the overall facility has been largely unused by the Soviets.

With so many of these credits still relatively unused it will be quite some time before anything approaching harmony can be reached on export credit extended to the Soviet Union—both within the EEC and on an international level.

These are only some of the areas of inconsistency. Nevertheless, given the very protracted and often bitter arguments which have been endured in attempts to arrive at some degree of harmonisation, achievement of any consensus *does represent a considerable* success. For the first time the main exporters have committed themselves to a discipline in export credits, while the guidelines themselves, although minimal, cover a much wider range of credit terms than has been the case before either *within the Berne Union, OECD* or the first of the gentlemen's agreements—the Washington Agreement of 1974.

As such the consensus has been greeted with a sigh of relief all round. The U.K. *Treasury and ECGD, which* have been among the main initiators, regard the consensus as a very important step, albeit a preliminary one, on which to build a real international pact to bring an end to the self-defeating credit war.

Difference

The first step will be to renegotiate the Puerto Rico guidlines which come up for renewal in June of this year, the main difference this time being that the EEC States will be represented in the negotiations by the Commission. The aim will be to tighten the agreement, to extend it to more countries and then learn to live with it. The consensus reached within the EEC means that the smaller States have now joined the original participants while Canada, Finland, Australia and New Zealand have chosen to abide by the agreement of their own accord so that 15 countries are now involved. It is felt that OECD with its 24 member countries may well provide the best forum for bringing in as many countries as possible into the *agreement* though the inclusion of such a larger number could dilute the pact.

Negotiations would, of course, be very difficult since so many different interests and circumstances would have to be reconciled. There is no denying the hurdles that have to be overcome for instance, in eventually setting realistic interest rates for export credits, given the very great variation in individual domestic interest rates, economic and monetary policies. *But if achieved, it would in the* long term save a good deal of time, money and effort by eliminating the need to match "outside" competition.

When and if such an international agreement is attained, however, *then the basic guide*lines could be extended to other areas of export finance such as bank guarantees, etc. Ultimately governments could determine contract conditions on which they would offer official cover. This would remove many of the difficulties which contractors now encounter when bidding for contracts which carry unreasonable clauses such as on demand bonds. A common stance on contract conditions would allow exporters to negotiate from strength rather than weakness as so often at present.

Rather less popular, perhaps, the extension of the consensus would mean the end of cost escalation cover and other *similar schemes since both the* EEC Commission and the U.S. is committed to phasing out all export subsidies which distort competition. Also under fire again would be the controversial *crédits mixtes.*

Alongside the moves to harmonise credit terms within the EEC have been the proposals to set up a European Export Bank (EEB) to assist multi-national European consortia to compete (mainly against the U.S. and Japan) for jumbo projects. The Commission proposes that the initial capital *for* the EEB *should* be *provided from* the Community budget but eventually the bank would raise its own finance on the international capital markets to relieve member states of the burden.

Views are, however, very mixed about the need for such an organisation.

Margaret Hughes

INTERNATIONAL

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returning rather than first arrival—they were extremely active lenders in 1972-73 before the oil crisis forced them to concentrate their foreign currency activities on borrowing rather than lending. As yet, the main hallmark of the Japanese banks' return has been caution and not very generous ceilings have been imposed on new lending by the Japanese Ministry of Finance. However, the more circumspection that is displayed at this stage, it is felt, the less likely are the Japanese to pull out suddenly again.

Another way in which liquidity has risen has been through increased diversity in currency options. In the bond sector, the Canadian dollar, new in 1974, accounted for 10 per cent. of total Eurobond issues last year. *Because of currency* uncertainties it was under a cloud during the first quarter of this year, but the success of three recent new issues denominated in this currency has confirmed its regular availability as a borrowing medium.

Another new currency, which will however take a considerable *time to* come into common usage, is the Japanese yen. The first ever issue here, which closed last week, was a runaway success and there is little doubt that there would be considerable room for yen-denominated financings should the Japanese Ministry of Finance allow the market to expand.

Medium-term lending has also been diversifying out of the dollar, though the vast majority of such business is still dollar-denominated. The most notable development has been an increase in the volume of D-mark denominated *medium*-term syndicated loans. There have also been cases of syndicated loans provided by Japanese banks in yen.

Prospects for the international bond market hinge on the expectations for interest rates and inflation. The pick-up in the market since the bout of *weakness in February (which* hit both main sectors of the market, dollars and D-marks) suggests that there is now no expectation of a rise in interest rates till late this year.

Premium

Bond rates have in fact fallen back sharply in the last *month,* but they still show a considerable premium over inter-bank rates, which have remained static.

The one fear in the market is that large proportions of the *new issues arranged during the* last two years are held by financial institutions against short-term liabilities. Such is the fear that a turn in the interest rate position is likely to precipitate some selling if only because investors fear that banks may start to offload their holdings on a large scale. If such an off-loading were to occur, clearly any fall in price would be very rapid.

Prospects for the medium-term lending sector were *analysed recently* by the Organisation for Economic Co-operation and Development (OECD). Published in the IMF's Survey of April 4.

The OECD expects only a slight rise in demand for medium-term funds with *most* of it being concentrated on the developed countries and the oil exporters. Insofar as this prognostication proves to be correct, the pressure on banks' yields from this kind of lending *is likely to intensify, particu*larly in the absence of any marked rise in corporate borrowing activity in domestic markets. (Most major companies are currently so liquid that even when the promised economic *upturn does* materialise it will take some time to feed through into demand for bank loans).

Since banks are not in general going to move margins on medium-term loans down as low as were seen in 1973-74, the competitive search for outlets for spare lending capacity is likely to take other forms. One is an expansion of short-term lending at low margins—margins of one-eighth per cent. for loans of less than a year have been reported *recently.* Alternatively, banks may be prepared to lend for longer maturities, at the same margins as before.

Mary Campbell

High score in invisibles

ALTHOUGH invisible earnings from the City's banking and insurance services and in other ways have never rivalled physical exports in total value, they have for decades provided a vital favourable element in Britain's balance of payments.

In the latest two months, February and March, for instance, the excess of imports over exports was £421m., but this deficit was rather more than offset by a surplus of £440m. from invisibles, so leaving the country marginally in the black. The outcome was more favourable than for a long time past, but it is likely to foreshadow the pattern which will develop over the coming months as North Sea oil output leads to a diminishing physical trade gap, increasingly more than cancelled out by growing invisible income.

Invisible earnings have themselves been increasing quite sharply recently, thanks in part to the sharp fall in the pound boosting the sterling value of foreign currency receipts. In 1976 a private sector surplus of £4.36bn. was partly offset by a public-sector deficit of £2.19bn., for armed forces expenditure and other outlays abroad, leaving a net overall surplus of £2.17bn. Just how strongly this invisibles element in the payments balance has grown is shown by the fact that the total net surplus was only £1.56bn. in 1975 and no more than £167m. in 1966.

The contribution from what is broadly labelled the City of London to the £4.36bn. private sector surplus in 1976 was more than a quarter, at some £1.2bn., and possibly more. Final detailed estimates are not yet available but the view in the City is that the figure has been, and remains, on a rising trend.

The other main constituents of the invisibles surplus are net income from investments, tourism—much boosted in value and volume by the pound's drop—shipping and air services, and contractors' income overseas.

In 1975, the last year for which there are detailed figures, the City's net earnings were put at at least at £1.08bn., of which insurance — the companies, Lloyd's and the brokers — accounted for some £450m., and banking for £234m.

Brokerage services through the commodity markets, the Baltic Exchange (shipping) and the Stock Exchange were other sizeable contributors.

Increasing

In 1976 insurance probably yielded at least £500m., while banking and the other services in virtually all cases raised their contributions. The City has been earning consistently increasing amounts for a number of years, the £1.2bn. figure last year comparing with only £397m. in 1968.

This has been essentially due to the liberal exchange control policies followed by all Governments since 1958, when freedom of cash movements for overseas residents was restored at an interval after the war. This allowed London's extensive banking industry—now increasingly international—and the insurance and other markets to come fully into play again to operate as perhaps the world's largest, and certainly its most many-sided, financial centre.

At times of exchange crisis like last year's, the freedom of operations can allow more speculation against sterling than would be possible in a more rigidly controlled system. But that disadvantage has been accepted in the long-term interest of maintaining the City's international role and its capacity to make—now very substantial—net foreign currency earnings.

None the less, some tightening of controls is made from time to time. In the autumn the use of sterling to finance third country trade was banned. And in last month's Budget the Chancellor sought reserve powers to control, if he desired at any future time, the financing of foreign-owned British companies through bills of exchange and other methods not covered by the existing powers to regulate their borrowing.

The freeing of cash movements by non-residents as far back as 1958 opened the way for the creation of the activity which has been the main new enterprise in London in the post-war era and is now one of the biggest earners. This is the Euro-currency market, the medium through which internationally moveable funds owned from various countries and in dollars and other currencies are switched around the world to find the most appropriate, mostly short-term but sometimes medium-term, outlets.

London was the creator of this market in the late 1950s and still conducts much the greater part of its business. Towards the end of last year British banks (including the American and other foreign-owned ones which have been attracted to the City in force to participate in the Euro-market) had $194bn. (£113bn.) of Euro-currency lending, and similar borrowing, on their books. This represented a considerable expansion over the preceding few months.

Even when, in the difficult times of 1975 and 1976, the oil exporting countries became shy of putting a great deal of their surpluses in pounds in Britain, they still placed a lot of their money in foreign currency through the Euro-currency market in London.

The earning potential for London's banks from such major dealings is obviously substantial. In its latest Quarterly Bulletin last month, the Bank of England noted as a factor in last year's increase in invisible earnings that U.K. banks had earned more on their Euro-currency business.

The conduct of a very large business such as the Euromarket is not free of risk. But the Bank of England has in recent years taken action to limit the danger of any mishaps.

In the first place, the £1.2bn.-plus lifeboat operation organised by the Bank of England with the big banks to control the secondary banking crisis in 1973-74 and afterwards can be seen as partly motivated by a desire to preserve international confidence in Britain's banking industry.

The Bank further buttressed these arrangements by obtaining undertakings from the foreign parents of U.S. and other overseas banks and from the shareholders in consortium banks to support their operations and interests in London in case of need.

Remedy

The resultant obligations do much to control any dangers from excessive extension of Euro-financing activity. But there has still lately been a good deal of concern about the use of loans from the Euro-market to cover deficits of countries in the Third World. Mr. J. A. Kirbyshire, a chief adviser to the Bank of England, drew attention at a Financial Times conference in February to the possibly excessive amount of Euro-currency loans being used to meet some countries' long-term needs. As a remedy, he urged greater reliance on co-financing, the system whereby banks arranging loans would act jointly with official international financing bodies, such as the World Bank.

Quite apart from the major Euro-currency market, the City's banks have substantial overseas earnings capacity through their various financial and advisory services.

In recent years the big clearing banks, notably Lloyds and National Westminster, have added extensive stakes in banking abroad to their interests, while groups such as Barclays and Standard Chartered own large branch banking networks in other continents. The Midland has put more emphasis on partnerships such as through the EBIC grouping.

The clampdown last autumn on the financing in sterling of third country trade was something of a setback to the City's banks. While it brought a once-for-all benefit to the nation's reserves at a difficult moment, it meant the sacrifice of continuing income from a traditional activity. There has since been some sign that some people in the City would like this control reversed.

Another sector of the City which is a sizeable net earner of foreign income, though at a somewhat fluctuating level, is the commodity market area—including copper and other metals, cocoa, coffee, cotton, jute etc.—which appears to have increased its earnings last year as world trade began to recover.

A special survey recently conducted by the Bank of England indicated that the net figure of earnings here, including both commission and profit of U.K. operators, was probably £200m.-£250m. in the year to May 1976, rather higher than many had imagined.

The industry which has been the largest continuous invisibles earner in the City is insurance, whose contribution has been rising steadily and which should have been at least [illegible] in 1976. In a talk in December Sir Francis Sandilands, chairman of the Committee on Invisible Exports and of Commercial Union, said that insurance companies with two-thirds of total overseas premium income were generally optimistic about the prospects for 1977.

Margaret Reid

FOREIGN BANKS IN LONDON

A growing presence

THE STORMS which beset sterling last year may have rocked the status of the City of London as an international financial centre but on the whole the foundations have stood surprisingly firm. Certainly London's position as a major centre for international banking has survived the crisis and the foreign banking sector still appears to be in a growth phase.

The Banker magazine keeps a watchful eye on the fortunes of the foreign banking community, and in its last review of the subject was able to report that the number of foreign banks operating in London had grown again in 1976 after a small temporary drop the previous year. A record total of 225 were represented through a branch, representative office or subsidiary. It is little more than a decade since the figure passed the 100 mark.

Nor is this all. Another 93 foreign banks and financial institutions have indirect representation through stakes which they hold in London-based consortium banks, of which there are 34. Taking this into account, only seven of the world's biggest 100 banks are not directly or indirectly represented in London.

Huge sums are handled by this multitude of foreign bankers, and the fact that the vast bulk of their assets are denominated in foreign currencies, largely in dollars, has meant that they have appeared to grow much faster than domestic banks in the recent past.

Even the American banks in London, which as a group have been slightly trimming back their operations here after running into a few problems, pushed up their overall deposits by about 13 per cent. in the year to mid-March. This is according to Bank of England statistics which are expressed in sterling. For comparison, the deposits of the London clearing banks, of which only about 17 per cent. are in foreign currency form compared with 90 per cent. for the American banks, rose by a modest 8 per cent. during the same period.

The Japanese banks have been more aggressive, with deposits climbing 23½ per cent. over the year. The real growth area, however, consists of the "other" category, which of course takes in the mushrooming Arab banks: deposits here rose by a third. Consortium banks grew almost as rapidly, although in aggregate they are less than half the size of the Japanese and only a sixth as large as the Americans.

In general 1976 appears to have been a reasonably profitable year for the foreign banks. Although competition is high and margins have tended to be under pressure, with business levels (when expressed in foreign currencies) in general far from buoyant, there has often been scope for recovery from the earnings levels of 1975 when extra provisions were quite common.

A random selection of recent results includes a pre-tax profits rise of almost 50 per cent. by Citicorp International, an improvement of a third at Scandinavian Bank, effectively doubled profits for Amex Bank, and a gain of 63 per cent. for Japan International.

The fall in sterling will have had a beneficial impact on the U.K. cost base of foreign banks relative to the currency profits which are generated by their international business. The attraction of London as a centre offering low labour costs has, at least for the time being, been enhanced—though the City remains costly in terms of banking premises relative to other European centres like Paris or Brussels.

But the fall in the value of sterling during the first 10 months of 1976 (which has only been reversed to a small degree since then) has had another much less welcome effect, in that the balance sheets of banks with a large currency business have been eroded. Although banks where possible endeavour to match their currency assets and liabilities, and can constitute part of their capital bases in the form of subordinated medium-term foreign currency debt, most of their capital and reserves are inevitably linked to sterling.

Ratios

The result has been a tendency for the capital ratios of banks to decline quite sharply. Higher profits arising from lower sterling costs will have allowed a rise in retentions as a partially offsetting factor, but the burden of taxation is quite onerous with under 50 per cent. of pre-tax profits coming through to reserves even if no dividends are paid. Unlike industrial companies, banks have no equivalent of stock relief which would help them to finance the impact of inflation. The most they can do is try to defer taxation by taking on U.K. leasing business.

Many banks have therefore been facing an uncomfortable choice. They can let their ratios decline, and hope that their customers or the banking authorities will not be too concerned for the time being. Or they can trim their business back in order to limit activity to whatever the shrunken balance sheet can easily support. The other solution is to pump in more capital, which foreign shareholders will hardly be keen to do in cases where the bank has, when viewed in terms of dollars or other strong currency—failed to grow or has actually been shrinking.

Tax problems related to currency swings have also been causing headaches for foreign bankers in London. The use of subordinated debt as part of the capital base may have reduced overall currency exposure, but it has caused some Inland Revenue tax inspectors to lick their lips.

Tax legislation relies on a distinction being drawn between fixed and circulating capital, only the latter producing any liability to current taxation. Consequently, on one interpretation of the law, currency gains on banking assets cannot be offset against currency losses on the loans which, in part, finance them. On this view, taxable profits last year were in many cases much higher than normal accounting profits.

To take one example, Western American Bank, when announcing recently pre-tax profits of £1.52m. for 1976, also disclosed a potential tax liability of £1.7m. The bank went to the length of repaying $20m. of subordinated loan notes which had caused all the trouble.

These uncertainties have not prevented the resumption of the growth of the City of London's foreign banking sector. Recent arrivals include a number of banks from the Middle East and from several Third World countries like South Korea and India, more than offsetting the handful of departures by American and Portuguese operations.

Barry Riley

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The elusive goal

THE EEC's ambitious plan for economic and monetary union has probably attracted more criticism and derision, particularly in Britain, than almost any other of the Community's ventures. It has often been pointed out, quite correctly, that the Nine are now in fact further away from the ultimate goal than the Six were when they first committed themselves to it at their Hague Summit in December 1969. In a Europe still suffering from the disruptions of of the world economic and energy crisis, volatile exchange rates and wide differences in national policies and performance, many people would argue that prospects for new progress towards economic and monetary union are bleaker than ever.

But by no means everyone shares this view, which was rejected as a "counsel of despair" by Mr. Roy Jenkins, the new Commission President, in his first "state of the Community" address to the European Parliament just over two months ago. On the contrary, Mr. Jenkins argued that the gravest danger now facing the Community was precisely that of retreating from its objective.

Only a few days before he spoke, President Valéry Giscard d'Estaing of France had announced after a meeting with Herr Helmut Schmidt, the West German Chancellor, that France and Germany wanted to revive the economic and monetary union project. The two countries are to push forward with plans to co-ordinate their economic policies bilaterally and the French President promised a joint Franco-German proposal for new action at Community level before the end of this year.

Timetable

Of course the "economic and monetary union" that Messrs. Jenkins, Giscard d'Estaing and Schmidt are now referring to bears little resemblance to the original grandiose scheme of the late 1960s and early 1970s. According to the Community's original timetable, the Nine should by now be less than three years away from full union, with common economic and monetary policies and a common currency. Even without the energy crisis, it is hard to see how the initial timetable could have been achieved.

The fact remains that it is not long since the accepted Community wisdom was that only one decade would be required for the Community to progress smoothly from customs union to economic and monetary union in a series of neat pre-planned stages. So as to dodge the old argument over whether economic or monetary integration should come first, the two processes were to proceed in parallel. Meanwhile strengthened political co-operation would be added so that by 1980 the whole could be graced with the title of "European Union."

France has not dropped the idea of "European Union," a phrase first coined by President Pompidou at the Paris summit of October 1972, though it is, of course, accepted that it will not be for 1980. Equally, France now finally appears to have accepted the German thesis that the route to economic and monetary union lies first via economic policy co-ordination, leaving monetary integration until later. With the French decision to drop out of the joint float currency "snake" in March last year, it clearly became increasingly difficult to maintain the traditional Gaullist line that monetary union must have priority. Now President Giscard d'Estaing has announced his agreement with Herr Schmidt that economic convergence must come first. Germany has always argued that monetary union could become viable only after the harmonisation of member states' economic policies, involving common tax policies and roughly similar inflation rates.

As it is, attempts at monetary integration have had a fairly sorry history in the past few years. Only five of the Nine (Germany, Denmark and the Benelux countries) are now "snake" members. The scheme in itself is functioning effectively, and has twice recently shown that relatively smooth adjustments can be made to exchange rates inside it. But there is little prospect for the time being of bringing the other member States into the system.

French talk of "bridge-building" between "snake" and "non-snake" currencies has come to nothing, and the suggestion by Mr. Willem Duisenberg, the Dutch Finance Minister, that non-snake currencies should be maintained in "target zones" linked to the "snake" has received an unenthusiastic welcome from a number of his partners—though it is at least accepted that consultation on exchange rates should be stepped up at central bank level. Any idea of a common currency, though still hotly debated in academic circles, has faded far into the future.

Everyone, including the Commission, is now agreed that the first task is to tackle the economic divergence between the member States, now generally accepted as the main cause of many of the Community's current difficulties, political as well as economic. The problem is that it is not at all clear how this is to be achieved, particularly as the divergence is still growing. While inflation rates, for instance, were declining or steady in Germany and the Benelux countries at the end of the year, they were on the upward turn again in all the other countries—except France, where prices were frozen under the Barre Plan. Increases in consumer prices among the Nine in the last quarter of 1976 ranged from 6.5 per cent. in Italy to only 0.8 per cent. in Germany.

High and varying inflation rates were one of the three "formidable and interlocking obstacles" to progress picked out by Mr. Jenkins in presenting the Commission's programme for this year. The others were the stubborn persistence of high unemployment and "the widening gap between the economic performances and real standards of living of our member States." As Mr. Jenkins pointed out, the weakest economies have the highest inflation rates, and therefore the weakest currencies; currency depreciation adds fuel to inflation. High unemployment in the weak economies holds back recovery in the strong as well, and as the gap between living standards widens, support for the process of economic integration is undermined. "If we are to move forward, we must move to overcome all three obstacles together," Mr. Jenkins concluded.

Convergent

The Commission's main priorities are now accordingly to restore balanced growth and "bring the various economies back on to convergent courses as soon as possible so that the desynchronisation of cycles does not accentuate the disparity between the economic strengths of the member countries." To do this it wants closer co-ordination of budgetary and monetary policies, plus acceptance by the surplus countries that they bear a heavy responsibility to boost their domestic demand.

At the same time, M. Francois-Xavier Ortoli, the former President and now Vice-President for Economic and Monetary Affairs, has indicated that he is going to take a firmer line in recommending policies that member states may disagree with. The first example of this was the suggestion that Britain should consider allowing the pound to appreciate, so as to reduce inflation, in the Commission's proposed economic policy guidelines for 1977.

Such good intentions, of course, are not going to be enough by themselves. The surplus countries had accepted their obligations before without subsequently much changing their economic policies, the Nine have been trying for years to co-ordinate monetary and budgetary policies without managing to make much impact on economic divergence and there is no evidence that Governments are now more ready to accept instructions from Brussels. The Commission accepts that medium-term structural action is also required if disparities are to be eliminated, and is making major efforts to make better use of the resources the Community already has at its disposal through the Regional and Social Funds, the Guidance Section of the Farm Fund, credit and investments for the coal and steel industries and the European Investment Bank.

But even lumped together these resources are small compared to the scale of the problem, and there is as yet no sign that Germany, the main contributor, is prepared to agree to major increases when the Social and Regional Funds come up for renewal later this year. There has also been a chilly response to the Commission's suggestion that extra resources could be mobilised without cost to national budgets by using the system of Community guarantees to raise funds on international capital markets.

But the main uncertainty over-hanging all the Nin efforts to press ahead w integration is the outcome the bids for EEC entry Greece and Portugal, s almost certain to be followed an application from Spain. T initial impact of the entry three new members with ba ward Mediterranean economi would clearly be to incre economic divergence in t Community rather than narr it. Quite apart from the co sequences for the enti economic and political decisio making machinery in Brusse If funds are inadequate eliminate disparities in a Com munity of Nine relatively el countries, they are likely to dwarfed into insignificance the needs of the three Medite ranean candidates are also to satisfied—unless of course the is a quite unexpected qua leap in their size.

Certainly some sections public opinion in Britain wou welcome the entry of three mo countries precisely becaus could put paid to the origi concept of economic and mon tary union once and for a After many months in w they have closed their ey the likely consequence further enlargement, th are just beginning to seriously at the implicati The entire future course European economic and tary integration will d the conclusions they re

Reginald D
European Edi

West German Chancellor Helmut Schmidt and French President Valery Giscard d'Estaing at their Paris meeting last February.

WEST GERMANY

Progress with flaws

WEST GERMANY'S emergence as a world banking centre has been rapid, not to say spectacular. Since 1968, the total business volume of the Federal Republic's banks has almost tripled, rising from DM586.94bn. to a provisional DM1,596.11bn. (£389.3bn.) in 1976.

Foreign banks have flocked to Frankfurt to share the spoils of the "economic miracle" with the 3,560 home-grown banks operating here. The incentive has not just been a matter of serving the needs of West Germany's powerful manufacturing industry, but also to participate in the financing of international trade, and to carve out a share of the Euro and foreign exchange markets.

It is hardly an exaggeration to say that in the mid-1960s and early 1970s Frankfurt, and to a lesser degree Duesseldorf, became to banking what Klondike was to gold mining. The "go-go" atmosphere not only attracted foreigners, but also encouraged the formation of new domestic banks, as well as encouraging many of those already established to reappraise their roles.

What was good in the expansionist climate of the 1960s and early 1970s, however, was not necessarily the prescription for the recession and recent banking history has been by no means happy. In contrast to its ebullient opening, the current decade has been marred by several scandals which must have shaken the confidence of some sectors of the industry.

Herstatt, the Cologne-based private bank, collapsed after grossly over-extending itself in the foreign exchange markets. The aftermath lingers on with the trial of a number of the bank's leading executives, accused of fraud. Many other banks got their fingers burnt seeking that crock of gold at the bottom of the foreign exchange market and substantial losses were by no means uncommon at the end of 1974.

One of the most spectacular debacles was that of the Hessischer Landesbank, one of the 12 institutions that collect and deploy the liquidity of the large savings bank network. Helaba as the bank is known for short, scored something of a hat-trick by catching a cold in the foreign exchange market, the property market and with its newly acquired overseas interest all at the same time.

Its involvement in several real estate white elephants—including the legendary Sonnenring in Frankfurt and Schwabylon in Munich — were largely the reasons for 1973 and 1974 loss provisions of DM1.8bn. There was also its involvement in the Frankfurt diamond bourse development, while it was also hard hit by the collapse of the Gloeggler textile group of which it was a large-scale creditor.

In March 1976, the State of Hessen and the Savings Banks Association, as guarantors of the bank, were asked to raise their guarantee fund by DM200m. to DM1.05bn. to cover the 1975 losses. The bank's total write-offs for 1975 were estimated a between DM400m. and DM500m., while the total volume of write-offs to cover losses, a well as potential losses and risk in the credit and participatio sectors, amounted to more tha DM2.2bn. between 1973 and 1975. Again in December las year, it was announced that th Savings Bank Association was t make a DM300m. loan to hel Helaba Bank on its feet. N conditions were made for th repayment of the loan whic was made through the Hesse State Savings Banks Associa tion.

The bank is also in troubl as a result of its participatio in the Banque de Credit Inter national of Geneva (BCI) whic collapsed in 1975. Helaba, whic at one time held a 36.4 pe cent. slice of BCI, face damages suits from severa large BCI creditors who claim that it should be financially res ponsible for part of the losses.

This year the Helaba scanda was an important contributor

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Political shadow looming

THE FRENCH Government's whole strategy over the past six months has been geared to getting the economy on the rails again before next spring's crucial general election. The snag is that Prime Minister Raymond Barre's stabilisation plan, introduced in September 1976, may not produce the goods in time to save President Giscard d'Estaing's coalition from defeat at the polls. The high level of unemployment, which has been the inevitable corollary of stringent anti-inflationary measures, produced one of the biggest post-war swings to the left at last month's municipal elections, and it is not at all certain whether the trend can be reversed within the next 12 months.

A victory by the Socialist-Communist Union of the Left would lead to the implementation of a sweeping nationalisation programme, embracing nine of the country's largest industrial groups as well as the entire banking and credit sector. Three of France's largest banks—the Banque Nationale de Paris, Crédit Lyonnais and Société Générale—were nationalised by General de Gaulle's first Government just after the war. But the private sector remains important and includes such well-known banks as Credit Commercial de France, Banque de Paris et des Pays-Bas, Banque de l'Indochine et de Suez and Banque Rothschild.

Palatable

There are some who argue that, given the political situation, the Government should have adopted policies more palatable to the trade unions and the electorate as a whole, but it did not really have much choice.

The economic upswing, which had begun in the second half of 1975, and was helped along by massive Government reflationary measures in the autumn of that year, produced unacceptably large trade deficits, as imports were sucked in, and a revival of inflationary pressures. The situation was aggravated by the serious effects of last summer's drought on France's trade balance. And the rapid deterioration in the country's economic performance, which had already forced the franc out of the European currency "snake" in March last year, subsequently led to its sharp deterioration against other currencies.

M. Barre, one of the country's leading economists and a former vice-president of the EEC Commission, was appointed by President Giscard as Prime Minister in August last year, with specific instructions to restore the country's economic equilibrium. His three-pronged target was to bring down the rate of inflation, which was running at an annual rate of well over 10 per cent., to a more reasonable level, balance the external accounts and stabilise the franc.

In the circumstances—and the limited amount of time available, from an electoral point of view—this was an extremely difficult task, requiring drastic and unpopular measures. M. Barre would almost certainly have liked to introduce a fully-fledged wage and price freeze, but was prevented from blocking wages by political considerations. Nevertheless, the Barre Plan, as it was quickly christened, was both a courageous and astute mix of measures which, initially at least, won the support of a wide spectrum of French opinion.

A general price freeze was imposed until the end of the year, with an extension of a further three months in the public sector. At the beginning of 1977, the standard VAT rate was reduced to prolong the beneficial effects of the price freeze and a system of voluntary agreements between the Government and industry was introduced to limit price increases in line with the Government's target of 6.5 per cent. for 1977 as a whole.

At the same time, fiscal and monetary policy was made more restrictive. Income and company taxes were increased, a money supply (M2) growth target of 12.5 per cent. was set, in line with the expected increase in value terms of GDP, the Bank of France raised its discount rate to 10.5 per cent., thus setting the scene for a general rise in interest rates, and more restrictive bank credit growth norms were introduced.

Anxious not to bring the country's economic expansion completely to a halt, the Government also adopted a number of selective measures to finance exports and stimulate productive investment and floated a large State loan to help small and medium-sized businesses.

The Barre Plan has undoubtedly proved to be a short-term success in bringing down inflation, reducing the trade deficit and stabilising the franc, which has held up well against other currencies, particularly the U.S. dollar, over the last few months. But its longer-term impact is much less certain.

Price rises, though they were brought down to as little as 0.3 per cent. in December last year and January, 1977, are again on an upward path, with the February cost-of-living index showing an increase of 0.7 per cent. and the figures for March and April expected to be of the same order.

While it is true that the authorities themselves forecast such a trend and said that it would not be reversed until the end of this year, independent experts are more doubtful about the end result. The OECD, for instance, in its latest report on the French economy, pointed out that even during the last recession in 1974, the increase in domestic prices did not fall much below an annual rate of 10 per cent., in spite of a fall in demand, the appreciation of the franc, which brought down import prices, and the drop in world prices of raw materials.

"More thorough-going reforms" have to be combined with demand management policy for a lasting reduction of prices, the international organisation stressed, though it did not spell out what kind of reforms it envisaged. M. Barre is certainly well aware of the need of streamlining the structure of French industry and thus improving its productivity, and has already taken steps in this direction, particularly as regards the steel industry. But the realisation of his plans entails the loss of thousands of jobs at a time when unemployment is already running at the post-war record of over 1m.

Thorn

Indeed, unemployment is now the biggest thorn in the Government's flesh, bigger even than inflation because of its impact on the electorate. The Government is hoping that the expansion of the world's major economies will infuse more life into the French economy by the end of the year and thus mop up a growing number of workless, but M. Barre has said that he is not prepared to abandon its stabilisation policy and reflate as long as inflation and the trade balance have not been brought under control.

The domestic indicators, however, do not yet show any signs of a recovery of economic activity. According to the latest business surveys, demand for consumer goods remains fairly lively, but is no more than stable for capital goods, while the industrial production index, though fluctuating sharply from month to month, has remained more or less steady, on average, since last summer.

Overall, the French economy is not expected to grow by more than 3 per cent. in 1977 according to the OECD, after an increase of 5 per cent. last year, and the French authorities now seem to have come round to this forecast after initially predicting a rise in GDP of 4.6 per cent. Prices are forecast to rise by 8.75 per cent. by the OECD and a little more than 8 per cent. by the French Government, but even the more optimistic French forecast does not come up to M. Barre's hopes or expectations. The international organisation also considers the French official forecast of a rise of 10 per cent. in hourly wages, compared with more than 15 per cent. in 1976, to be an underestimate, and believes 12.5 per cent. to be a more realistic figure.

The banks, meanwhile, seem to have suffered little from the Government's restrictive monetary and credit policies, judging by the results which have just been published by two institutions highly representative of both the State and private sector. The State-owned Crédit Lyonnais, which, only two years ago suffered a loss of Frs.153m.—the first time it has been in red in more than 100 years of existence—chalked up net profits of Frs.287m. (about £33m.) in 1976, up by Frs.124m. from the previous year.

Among the private institutions, the Compagnie Financière de Paris et des Pays-Bas, holding company of the Paribas banking and finance group, has also announced a 5 per cent. rise in net profits to Frs.172m.

The French banks, which received a shot in the arm from the so-called Debré reforms of 1966-67 that abolished most of the restrictive distinctions between deposit and investment banks, have expanded rapidly over the past decade. The nationalised Banque Nationale de Paris, for instance, is now fourth in the league table of the world's biggest banks by assets, while Crédit Lyonnais is seventh and Société Générale eighth.

At first this expansion took the form of a competitive race to open new branches throughout the country, but recently the surge has been into foreign business and markets. Several of the major French banks now have branches or representative offices in parts of the world from which France was almost totally absent as short a time ago as the 1960s. The "Big Three" now have offices in Moscow, two of the nationalised banks have opened up shop in Bahrain and the Banque de l'Indochine et de Suez has two offices in Yemen. The Crédit Lyonnais alone has some 55 overseas offices and as much as Frs.70m. of its profits of Frs.287m. last year were generated by its foreign branches or offices.

Apart from their alliances with other European banks, the French have also become particularly active in joint ventures with U.S. and Arab institutions and some of the latter, such as Ubaf and Frab Bank, have their headquarters in Paris. Moreover, the three State-owned banks are now among the top 20 lead managers and co-managers of Eurobond issues.

Paris has thus established itself as one of the world's major banking centres, but its position in this field could well be jeopardised if a left-wing Government comes to power and not only completely nationalises but strictly controls a sector which has thrived on fierce competition.

Robert Mauthner
Paris Correspondent

WEST GERMANY

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sector in the Social Democrats' crushing defeat in the recent Hessen local government elections. The party had ruled the State of Hessen since the War and the Social Democratic establishment was felt by the voters—many of whom have their savings in the local savings banks—to have been lacking in its stewardship at the State-guaranteed bank.

The recounting of the Herstatt and Helaba sagas is not intended to throw discredit on West Germany's excellent banking system, but merely to illustrate the dangers of entering a market unprepared. There have recently been many grumbles, particularly among the foreign banking community, that West Germany is over-banked and that the large commercial banks stifle competition.

It is perhaps fair to answer by asking which international banking centre is not over-banked. Furthermore, competition is the essence of capitalism and the monopolism that would occur in an under-banked international centre would certainly not be in the interest of the customer.

The truth of the matter seems to be that many of the foreign banks which have set up in Frankfurt did so for rather woolly reasons. Like so many commercial decisions, the one to come to West Germany was taken because competitors seemed to be making money there and the move sounded like a good idea at the time.

Admittedly foreign banks have had a couple of lean years. After all, in a time of recession it is only reasonable to expect the domestic banks to do rather better than their competitors from abroad who are spread thinner on the ground and lack their West German counterparts' close contacts with industry.

However, many foreign banks—particularly those with strong Euro and foreign exchange market operations and those who are deeply involved in the financing of foreign trade and international corporations—seem to have done quite well. This year, for the first time, foreign banks with branching operations here are obliged to publish their accounts and already Barclays International, for one, has produced some very impressive figures.

There has, of course, been no great rush to report and no doubt many of the reports will contain surprises with some large international banks showing rather low levels of business. But the fact remains that despite the difficulties of working in the Federal Republic, a goodly number of banks, which have shown flexibility and imagination, are doing more than satisfactorily.

The question of competition is a more difficult one. West Germany's universal banking system allows the institution a tremendous freedom of movement. The universal banks offer the whole gamut of banking services under one roof — uninhibited by the sort of restrictions in force in Britain and the U.S., which separate deposit banking from the investment institutions.

Limited

It can fairly be argued that competition between the large commercial banks is fairly limited. Again, what else can be expected when one is talking about banks of a similar size, operating similar services, drawing deposits from similar sources and lending their money to similar customers. But the large commercial banks are not the only banks in West Germany.

Competition in West Germany tends to take place more between the different banking systems rather than the individual banks within each system. Basically there are three major systems operating in the Federal Republic—the commercial banks, including the regional and private banks, the savings bank girozentrale sector and the co-operative bank girozentrale sector. These are supplemented by the wide-ranging activities of the Bundespost, the Federal Post Office.

Indeed, the commercial banks have been facing fierce competition from the public and co-operative sectors. Although they are big in the field of commercial lending, the profit-orientated banks are sometimes at a disadvantage in the battle for business with institutions the primary motive of which is not profit.

The commercial banks, according to provisional Bundesbank figures in February, had a combined balance sheet total of DM388.7bn. out of a combined balance sheet total of DM1,577.3bn. for the banking sectors. In contrast the aggregate balance sheet totals of the girozentrale and sparkassen (savings) banks amounted to some DM616.2bn.

Some 50 per cent. of the country's savings are lodged with some 690 sparkassen, whose 16,000 branches present the commercial banks with a formidable challenge in the battle for the nation's savings. Despite the commercial banks' considerable efforts to woo the saver, the Sparkassen's share of savings is only some 8 per cent. less than a decade ago.

At the same time the commercial banks are feeling the chill wind of competition from the Landesbank Girozentrale sector. The Landesbanks, which have the job of collecting and deploying the excess liquidity of the savings banks, are very large institutions indeed—the biggest coming close to the size of the "big three" commercial banks. Not all of their ventures into what was traditionally commercial bank territory have been successful, as Helaba's experience shows. However, their supporters argue that these were just teething troubles and that the Landesbanks are poised to become a major international force.

Guy Hawtin
Frankfurt Correspondent

ITALY

Survival in time of crisis

ADD TOGETHER a political crisis and a premature (and, worse, inconclusive) general election; a major speculative run on the lira resulting in the temporary closure of the foreign exchange market, but with a continued, if gradual, depreciation in the rate thereafter; a 50 per cent. import deposit scheme, a special temporary 10 per cent. foreign currency surcharge, subsequently replaced by another at 7 per cent.; a Bank of Italy discount rate now at an historical high of 15 per cent. All in all, it has been a troubled year or so for the Italian banking system.

But like the country itself, the banking system somehow manages to overcome these recurring crises. Indeed, some would say to advance and prosper *almost because of them*. The interest rate spread in Italy is notorious, particularly when money is expensive, and the banks do very nicely, even if the full extent of their profits is not always shown in the balance-sheets.

This is despite the fact that on any European comparison Italian banks must surely hold the record for the high cost of their operations. It is visible even to the casual customer that the banks are overstaffed (the country itself is probably over-banked as well), and statistics show that Italian bank employees come out at the higher end of the wages scale.

Another comparison, as many Italian industrialists appreciate only too well, would show that banks in Italy are generally less developed and operate less efficiently than the European banking system as a whole, which in one sense perhaps is not altogether surprising, since the major banks are owned either directly by the State or indirectly through State *holding companies*.

Four of the big ones—Banca Commerciale Italiana, Credito Italiano, Banco di Roma and the Banco di Santo Spirito (no relation to the so-called "Vatican Bank," which is actually called the Institute for Religious Works)—are controlled by IRI, the Istituto per la Ricostruzione Industriale. For the record, though, these banks claim that they are both independent and competitive even where the ultimate ownership is the same.

The Italian banking system is inevitably part and parcel of the Italian economy even if its fortunes do not, as we have seen, always move in the same direction. For a series of often complex reasons, although in part to do with political factors and also because of rigidities in the fiscal system (to say nothing about tax evasion), Italian economic management puts great emphasis on monetary policies, a process described accurately some time ago by Dr. Guido Carli, the then Governor of the Bank of Italy, as being somewhat akin to driving a car whose only controls are an accelerator and a brake.

Alternate

Accordingly, the economy tends to alternate between fairly acute "stop" and "go" periods with little progressive increasing or decreasing of economic activity. In effect, the machine of State lacks a gear-box.

What is more and not to over-extend the parallel, the machine has at least two drivers — the Treasury and the Bank of Italy —who are not always using the same maps, although generally speaking going in the same direction. It also has a miscellaneous collection of "mechanics," some skilled in controlling economic machines but not necessarily the particular Italian make (they are found increasingly these days in the Brussels Commission and the International Monetary Fund headquarters in Washington) and others of a more do-it-yourself variety with a lot of (political?) feel for the Italian model but inclined more to patchwork or makeshift solutions. These latter are to be found in political parties and also from time to time in cabinet.

Within the system everybody works with noted Italian flexibility, not least the banks themselves. The Bank of Italy plots ahead the desirable behaviour of the various financial aggregates for the following year, and then adjusts them more regularly to ensure that actual month-by-month (or at least quarter-on-quarter) behaviour is in line with intention. This approach, the banks argue, means that long-term planning collapses in the face of short-term "gyrations," whether on interest rates, compulsory deposits with the Bank of Italy, quantitative credit ceilings, purchases of Treasury paper, the ratio of foreign assets to liabilities, and such like.

The banks, as they rarely fail to note in their annual reports, favour more medium to long-term planning for the economy *"in which the banks and credit* institutions can play a full role in the development of the economy on an ordered and structured basis."

The banks do of course already play a significant role in overall industrial development—although not perhaps always by design. The Italian banking system itself operates within rather rigid requirements (indeed the basic regulatory controls go back some 40 years), at least in theory. They are, for instance, limited on *their lending side* to granting facilities with a duration of one year, but in fact commitments are rolled over, often seemingly without end, in a process which effectively consolidates interest with principal.

At times like this, with exceptionally high interest rates (non-priority borrowers are currently paying up to 25 per cent. and more), this means a doubling of customer liabilities every three to four years. And Italian banks do not believe in writing off "bad" or even *doubtful debts!*

Given the generally underdeveloped state of the Italian capital market—including a stock exchange which right now at least is moribund (not helped by Treasury paper yielding some 17 per cent. and a withholding tax of dividends of 50 per cent.)—the banking system proper and the various credit institutions are essential providers of finance for industry. However, in present circumstances of low or more often than not non-existent profitability, the banks are in essence all too often providing little more than working capital for stocks and payrolls.

Much of this is going directly to the giants of the State or semi-State sectors, the likes of IRI, ENI and Montedison. Much too little of it, says the banks' critics, goes to the many private, and often relatively small-scale entrepreneurs who in a very real sense are the backbone of the Italian economy and of the country's export drive.

The banks privately are not inclined to dispute this charge, although in Italy banks do tend to take a long and hard look at the "credit" status of potential borrowers. Over the years, their main criterion for this assessment has tended to depart from what ordinarily would be considered prudent banking practice. This itself results from the very sizeable influence of the State and semi-State sectors on the Italian economic scene through the vast ramifications of what elsewhere would be quite accurately lumped together as the "public sector."

Divisions

In Italy, however, divisions between public and, at least ostensibly, private involvement are not always so clear, but among the banks advancing capital there is inevitably a tendency to look for "the borrower of last resort," in effect to look beyond the actual borrower to see if ultimately the State is there as the eventual guarantor. It may mean playing at the very long end of the lending market, but the banks tend to consider not merely the duration of the advance, but the status finally of the end-borrower.

They also argue—apart from complaints about the filtering-off of a varying slice of their deposits by the bank of Italy—that their "locked-in" situation in lending terms to very many State-sector companies where original decisions were often "influenced" at least by political factors gives them little room for manoeuvre. At the same time the banks themselves just now, under encouragement from the Bank of Italy, are beginning to call a tentative halt to what has become virtually an open-ended lending situation.

This has in particular been apparent in their refusal to respond to further political pressure to bail out SGI, the construction giant which was the heart of the now infamous Sindona empire, and their reluctance to get sucked further into the tangled financial affairs of the Milan-based chemical complex, Montedison. The latter seems, for all practical purposes, about to be "nationalised," subject to the political parties reaching some measure of agreement following the resignation of Montedison boss, Sig. Eugenio Cefis.

Many of these industrial complexes are now so large, and the banks' involvement in them so great, that there is a virtual impasse in banking terms. Banco di Roma, for example, is itself now over-exposed on normal banking criteria in the SGI-Sindona affair to the point that a collapse of the company could not leave the bank untouched. But it is clear that the banks, with the encouragement of the Bank of Italy, are at last wakening up to their exposed situation, even if it remains to be seen just what alternative immediate course is available to them.

The continued decline in the lira, meanwhile, together with the ever-present possibility that the powerful Italian Communist Party may eventually secure a direct role in government cannot enhance Italy's status in the international banking community, even before adding in the country's present economic: endemic balance of trade problems. There is inevitably a spin-off on the Italian banking system itself, although (and not only in its considerable and expanding international operations) in fact it is much less than the actual situation would appear to dictate.

Dominick J. Coyle
Rome Correspondent

BELGIUM/LUXEMBOURG

Broad international involvement

THE SPECTRE of another bout of European currency instability —perhaps caused by the D-mark being drawn up by the ever-rising yen—is one that haunts Belgian banking circles. So far since it was devalued by 2 per cent. against the D-mark last October, the Belgian franc has stayed remarkably stable and strong inside the European snake joint float. And the devaluation of the three Scandinavian currencies against their four other partners in the snake in early April does not look like interrupting the present period of calm. As Belgian Finance Minister Willy de *Clercq pointed out, trade with* these three Scandinavian countries was less than 3 per cent. of Belgium's total trade and therefore the impact would be minimal.

But one thing is sure. If the Belgian franc were to come under pressure again, the central bank would react exactly as last year and jack up interest rates to defend it. These rates were, in the words of the Association Belge des Banques (ABB) report on last year, "particularly difficult to justify to a large number of customers, especially the small and medium-size businesses which had come out of the recession in a precarious state."

Rates have come sharply down since last autumn; from 14 to 8 per cent. on commercial bank discount rates, from 13.5 to about 9 per cent. on overdrafts, from over 14 per cent, to about 6.5 per cent to 7 per cent. on large deposits, and from 6.75 per cent. to 5.5 on smaller deposits. The national bank cut its rate in January to 8 per cent. and in February to 7 per cent., reflecting the fact that it has had no problem not only in repaying debts incurred last year in defending the franc but equally in building up its foreign exchange reserves, which at the end of February stood at the equivalent of B.Frs.225.4bn.

One effect of this has been to reduce the inflow of new deposits in recent weeks, although the growth in deposits in 1976 was a healthy 17.7 per cent. at B.Frs.986bn. by the end of the year, a rate of increase *fractionally* better than in 1975. On the lending side the continued growth was again to the public sector, with 12.9 per cent. as against 12.4 per cent. in 1975, despite the promises of the Tindemans Government to curb its appetites in the domestic capital market. But the growth in lending to the private sector fell sharply last year, rising only 14 per cent. compared to 21 per cent. the year before.

The signs this year are that the private sector is even less in search of credit. The general economic outlook is still gloomy, at least measured by the national bank's "synthetic curve," Belgium's amalgam of leading indicators of business confidence, which in January rose slightly for the first time in eight months only to fall back in February. Since then Belgian business has been waiting for a prolonged period of political uncertainty to end with the results of the April 17 general election. In particular the private sector seems to have held up new investment until it becomes clear whether the investment incentives announced by the Tindemans Government in late February are put into action by the new Government.

The balance sheet totals of Belgian banks grouped in the ABB amounted to B.Frs.2,064bn. at the end of the year compared to B.Frs.1,833bn. a year earlier, a respectable rate of increase given the relative slowing down *of the country's rate of inflation* to under 8 per cent. last year. Those bank profits that have been announced so far have been unexciting: though those announced by the biggest Belgian bank, Société Générale de Banque, are not perhaps typical — net profit up only 6.8 per cent. which seems to confirm the trend of recent years that SGB, while retaining its lead, is growing less rapidly than the smaller banks. Nevertheless the role of holding companies, like Société Générale de Belgique, as private banker to their own subsidiaries or affiliates should not be ignored, particularly in times of tight liquidity.

One of the major events on the Belgian banking scene recently has been a reshuffle in Baron Lambert's empire, the main effect of which should be to give the troubled Banque Bruxelles Lambert (BBL) a better chance of keeping its second place in the Belgian banking league. The catalyst for this reorganisation was the growing recognition of the difficulty that BBL would have had in paying off a B.Frs.3bn. loan due this June, without increasing the problems it already has following the merger a couple of years ago of the Banque de Bruxelles and the Banque Lambert. The loan was given, principally by the holding company Compagnie Bruxelles Lambert but also by other shareholders, to cover the B.Frs.3bn. foreign exchange loss made by the Banque de Bruxelles.

That loan is now to be converted into shares for the holding company in BBL. But the sequel is that the holding company's new 45 per cent. stake in the bank will now be transferred to a new "passive" holding company called Groupe Bruxelles Lambert. This separation was considered necessary to forestall any possible criticism from the Commission *Bancaire (the body that regulates banking in Belgium)* following the loan conversion. The basic 1935 law that governs Belgian banking requires the operational separation of holding companies from banks in which they hold stakes. The practical effects of the loan conversion should show up in improved cash flow for BBL in the next financial year.

From May 9 a number of Belgian banks — along with some French banks — will have the distinction of being the first to use the new computerised system for international payments, acronymed SWIFT after the Brussels-based Society for worldwide Interbank Financial Telecommunication which has developed the system and will run it. The idea is to save time and labour on international payments which SWIFT officials calculate are at present carried out 80 per cent. by mail and 20 per cent. by Telex.

SWIFT, which has been already four years in the making and is a year behind schedule, has been dogged by *certain technical difficulties* — in particular the problem of meshing the computer terminals that the banks use to send or receive messages into the main SWIFT computers which are housed somewhere in the cities of Brussels and Amsterdam. SWIFT officials will not say exactly where "for reasons of security."

But the results from two use acceptance tests earlier this year where judged satisfactory by

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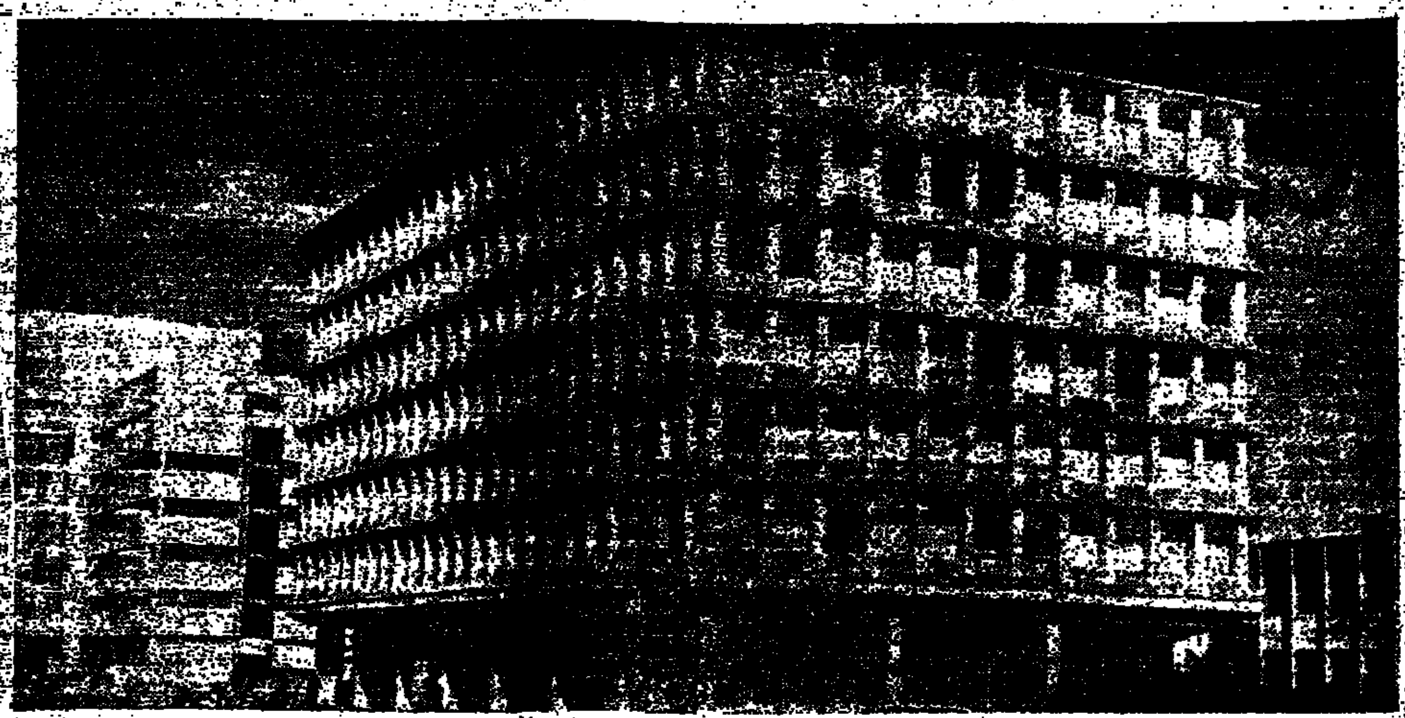

Headquarters of the Co-operatieve Raiffeisen-Boerenleenbank (Agricultural Co-operatives Bank) in Amstelveen, Netherlands.

Steady expansion of trading

FOR THE Dutch banking sector, the past year has been one of reasonable profitability and a continued expansion of business volume. Developments on the capital, money and currency market have often been turbulent with the usually strong guilder having had to weather an unprecedentedly heavy storm last summer, the most noteworthy development. And as the internationalisation process of the sector continued, a number of moves by the Dutch authorities that influence the banks' operations or could potentially do so were completed.

According to provisional figures drawn up by the Nederlandse Credietbank (NCB), the consolidated balance sheet total of all Dutch trading banks advanced to Fls.140.7bn. at the end of 1976 from Fls.117.9bn. the year before and from Fls.98.7bn. at the end of 1974. The banks' total advances went up strongly last year, to reach Fls.70.7bn., compared with Fls.57.7bn. and Fls.51.6bn. respectively. Demand was stimulated in the consumer credit sphere, notably for home ownership financing, rather than by industrial demand which remained disappointingly low. The NCB figures also showed that Euro-currency business by the trading banks rose less substantially last year, to total Fls.47.4bn. against Fls.40.7bn. and Fls.30.5bn. in the two previous years.

All major Dutch banks, the mortgage banks and the large agricultural co-operative group, RABO, managed to raise profits at rates exceeding inflation (nearly 10 per cent), though this could not always keep pace with the level of business. In view of the often turbulent developments concerning interest rates where record jumps were recorded in some sectors, the banking sector's steadily rising activities outside the Netherlands and in foreign activities conducted from the home base proved to be a boon.

Compared with the generally not very rosy position of Dutch industry, the banks as well as the insurance sector did relatively well last year. This was also reflected on the stock market. On the Amsterdam stock exchange, the general ANP-CBS index showed a decline of nearly 9 per cent. from the end of the year before, with the sector industry showing the steepest fall (down 13 per cent.). But the banking sector was the only area to show an increase (up 1.5 per cent.), albeit a very small one.

In the past year there has been, and still is, much discussion about the financial position of the banks. The increase in advances necessitated continuous additions to the banks' "guarantee" capital against the background of Central Bank solvency regulations which also govern the foreign banks operating in the Netherlands. These additions mainly take the shape of subordinated loans—so called capital bonds—which have been accepted as guarantee capital by the Central Bank for some time, and the issue of convertibles and shares. There have been a number of such successful issues in the past few months, in the face of a further expansion of business this year.

The president of the Dutch Bankers' Association, Dr. Jan van den Brink, said in his retirement speech this month that the relative decrease of profitability and guarantee capital of the banks in relation to their volume of business was the one trend that gave most rise for concern. He stated that whereas local banks' solvabilities compared with those of similar banks abroad in most cases, the Dutch monetary authorities' decision in the past to ease the rules to aid the banks was not a trend that could go on indefinitely, particularly in view of the mounting risks in economic life.

Approval

Among the more interesting developments in the past period was the final approval by Parliament in The Hague this year of the long-planned so-called Credit Supervision Bill and second, the deep inroads on the home financing market being made by institutions other than the commercial banks. This particularly refers to the Post Office savings bank (RPS).

Since liquidity has been growing rapidly, partly through heavy drawings on consumer credit, particularly in the mortgage area, the Central Bank now plans to clamp down on credit expansion even though this may prove to be an obstacle to the already slow recovery of the economy. Ironically, the commercial banks put much of the blame of the situation on the government's own RPS.

The credit supervision rules provide broadly for tighter government supervision by means of a partial transfer of the decision-making responsibility from the Central Bank to the Finance Minister. Although it remains to be seen what impact the new situation will have in practise bearing in mind a different-shaped government could enter office after the General Election in May, the commercial banks are clearly not too happy about the situation. Since the State itself is an active force in the credit sector, and will probably be more so in the future, the impartiality of the Central Bank is preferred in these matters of supervision and control.

The current Socialist-dominated (outgoing) cabinet's plans to merge the RPS and the Postcheque and Giro Service (PCGD) into a postbank have also become more uncertain following the collapse of the government just two months before the elections. However, the RPS is already capable of supplying several main financial services to the clients, although it is still the view of the Finance Minister that a postbank should also be equipped to supply loans to industry. A distortion of the competitive situation is generally feared by the private banks.

Socialist Finance Minister Dr. Willem Duisenberg has also proposed, to underline the government's increasing interest in banking sector developments, a new amendment to the draft bill governing the private capital market. It is designed to give him more insight on this increasingly important market in which the state itself is also active.

In a survey of Dutch banking developments, Mees En Hope has said that as regards the future trend of business volume of the domestic banks, growth could be checked by the further inroads of the many foreign banking houses in the Netherlands. In response, Dutch banks, it adds, should increase further their market share in such areas as demand deposits, savings accounts and mortgage loans. The review concluded by saying that the commercial banks are in a position to show further growth of business, though less pronounced than in the last two-three years, at a rate which should exceed that of national income.

Concentration

In his tour d'horizon of developments in Dutch banking in the past 25 years, Dr. Van den Brink, who will also be retiring shortly as joint Chief Managing Director of AMRO Bank, dwelt quite some time on the internationalisation of the Dutch banks as well as the Dutch banking scene. The concentration movement in Holland of the past few years should be seen against the need for enlargement to compete effectively abroad and to service the largest clients. The banker also pointed to the big increase in the number of foreign banks operating in Holland—whereas the Bankers' Association had counted two foreign banks as members in 1950, the number had grown to 23 to-day. Except on the retail banking side where they are rarely active, the foreign banks substantially contribute to competition for international business.

All major Dutch banks have significant international links, either through participations in international banking consortia or through their own offices abroad. U.S. banks have stakes in major banks such as NCB and Slavenburg's, while National Westminster has links with the smaller Van Lanschot operation. ABN is the prime example of a Dutch bank which has always been very active abroad and it will shortly open its 200th foreign office (in Houston, Texas). Including foreign business effected from the home base overall "foreign activities" contributed as much as about 40 per cent. to total profits last year. Other large banks want to have their own offices in the major world financial centres, if they haven't got them already, besides a presence through consortia.

As for the economic picture, prospects are clouded with uncertainties again this year. Although the banks are confident earnings and business will again be "satisfactory," no predictions have been made. Next month's elections add to the uncertainties and so are fears of a long period of cabinet formation, although the recent cabinet collapse has prevented some of the more controversial social reform proposals from becoming law.

Expectations for the business and industry sector suggest that the much-needed profitability growth will only be slight. Tight price controls have been extended from the first quarter through the rest of the year. The Finance Ministry's spring white paper has shown that the 1977 budget deficit should reach Fls.11.9bn., Fls.2.7bn. lower than earlier estimated with the aid of larger than expected tax revenues.

On the inflation side, progress has been made in the battle. This year the rise in wage will fall to 7.5 per cent. from nearly 11 per cent. in 1976 and 13.5 per cent. in 1975, while the consumer price index for family households will rise by 6 per cent. this year (nearly 9 per cent. and 10 per cent., respectively), according to central plan bureau figures. Though the bureau is often on the optimistic side, unit wage costs will rise only slightly this year with the aid of productivity improvements in industry.

Michael van Os
Amsterdam Correspondent

BELGIUM/LUXEMBOURG

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the banks — or at least the Belgian and French banks. And from the modest beginnings on May 9 SWIFT officials hope that before this year is out some 400 (of the 486 banks in 17 countries that jointly own the system) will be using it from 500 different terminals. But until that happens obviously the benefits to the Belgian and French banks will be limited.

The Luxembourg banks — along with the German banks — are among those which have refused to join in until the system is widely enough used to make it worth their while, thereby creating something of a vicious circle. In fact the Luxembourg Government has in recent years very consciously tried to improve the Grand Duchy's communications as an additional inducement — if such were needed — to foreign banks to set up shop there.

Last year saw the number of foreign banks in Luxembourg rise to 85 (an increase of five on 1975), mainly as a result of new arrivals from Scandinavia and Italy. The banking sector now employs 4.1 per cent. of the work force, and the Government has modest hopes that this can be further increased in the future.

On the purely domestic Luxembourg market, the Government—in an effort to finance certain counter-cyclical public works—came in for a bond issue of Lux.Frs.1bn. last year, equal to its combined total of its borrowings in 1972 and 1973, and set against the fact that it borrowed nothing in the market in 1974 and 1975. The level of last year's borrowing is likely to be maintained this year, Government officials say.

Nevertheless, the usual amount of excess private Luxembourg liquidity was available for use in the international market: measured at the end of the year the amount that Luxembourg banks borrowed from residents was Lux.Frs. 361bn., compared to Lux.Frs. 316bn. they lent locally. In addition, the fall in the amount going to Luxembourg investment funds, a trend which started shortly after the IOS affair and which has perhaps been helped by the Luxembourg authorities' closer scrutiny of this sector since then, continued last year.

The Duchy's share in international Euro-operations has continued to improve. At the end of September last its share in all Euro-currency loans was 10.5 per cent., compared to 9.4 per cent. a year earlier. On the deposit side growth has been fractionally slower, 9 to 9.9 per cent. But it is in the area of deposits from, and loans to, the non-banking sector that Luxembourg's market share becomes really sizeable. After elimination of inter-bank transactions, the share of Luxembourg banks' loans to the non-banking sector was, at end-September last, 22.4 per cent., compared to 20 per cent. the year before.

The percentage of Euro-deposits taken from the non-banking sector by Luxembourg was as usual much less important, about half its share in loans to that sector. In Eurobonds the participation of Luxembourg issuing syndicates held at about the same as last year—certainly in the U.S. dollar sector at 30 per cent., although participation in D-mark issues *dropped to 25 per cent.*

The most striking features in the geographical distribution of Euro-transactions by the Luxembourg banks is the strong concentration in Europe. At the end of September last, 57 per cent. of Luxembourg's banks' loans were in Europe generally, compared to overall Euro-loans to the same area of 41 per cent. As the Commission Bancaire points out "with respect to risk, this relative specialisation towards industrial countries must be appraised favourably, and the problem of a possible over-indebtedness of some non-industrial countries, which is a growing concern to governments and financial authorities, is somewhat less stringent in the case of Luxembourg."

David Buchan

DENMARK

A year to forget

LAST YEAR was one of the worst the Danish banks and savings banks (now operating on exactly the same legal basis as the commercial banks) have had for a long time. The country's biggest commercial bank, Handelsbank, made a loss and no major bank was more than marginally in the black. This year can only be better.

The reason for the poor 1976 bank results was in a sense a technicality, but even when the technicality is explained away the banks are coping with several serious long-term problems. The technical reason for the 1976 debacle was that the value of securities held by the banks is entered into the profit and loss account at the value on the final day of the year. As bond prices plunged last year all the banks recorded large unrealised losses on their bond portfolios.

Handelsbank, for example, recorded an unrealised loss on bond holdings of Kr.365m. after an unrealised gain of Kr.347m. in 1975. Although the result before tax and adjustment for security values improved from Kr.264m. to Kr.297m., the final net result was a loss of Kr.45m. compared with a profit of Kr.331m. in 1975. With small variations the results for all the other banks reflect a similar pattern, except one provincial bank, which sold its entire bond portfolio last spring and made a killing when it reinvested after prices had slumped a few months later.

The big fluctuations in bank results which arise from the accounting procedures are an inconvenience (also to the State, which will receive very little tax revenue from the banks this year) which can be lived with, but the restrictions on bank activities imposed by credit policy and the Government's stab at applying incomes policy to the banks have more serious longer term implications.

First there is a ceiling on bank and savings bank advances (it applies to loan commitments) which has been in operation since 1970. This does not affect bank earnings so much as the type of business which banks are able to conduct. When their balances were swelled by the development of a large State budget deficit with the onset of the 1974 recession, the banks were forced to invest the funds in the bond market, which has thus become by far the most important source of new credit.

Second, since 1975 the banks have had to live with legislation limiting the spread on deposits and advances to the average (for each bank or savings bank) of the three years 1972-74. This has particularly unpleasant consequences when balances are being swelled by a State budget deficit and interest rates are rising. Every time the discount rate goes up, the banks are committed to paying more on their deposits than they receive on their advances, and last year the discount rate moved from 7½ per cent. at the start of the year to a record 11 per cent. in October before coming down to 10 per cent. in December, and dropping to its current 9 per cent. in March.

The problem posed by the restrictions on the interest spread is that if the banks over a longer period are prevented from maintaining earnings their financial solidity will be endangered. This problem arises in its acutest form if inflation or budget deficits push up bank liabilities, forcing them to raise new capital. As in Denmark last year, most banks had difficulty doing this out of earnings or by raising new share capital. Denmark's two largest banks, Handelsbank and Danske Bank, solved the problem by going to the foreign market to raise subordinate loan capital, and this year they are being followed by the next two ranking banks, Privatbank and Andelsbank, as well as SDS, the country's largest savings bank. Not that the Danish banks are yet in any danger of seeing capital ratios fall to a point which would raise eyebrows among foreign bankers. The legal minimum ratio of capital to liabilities and guarantees is 8 per cent., by far the highest minimum ratio required in Europe.

Interesting

If 1976 was a year the banks would like to forget, it was an interesting year from the point of view of credit and monetary policy. Neither the political climate nor the state of government finances have enabled Danish governments to embark on ambitious selective fiscal policies in the manner of their Scandinavian neighbours, but they have not hesitated to apply selective policies to the credit market.

Initially the banks were subjected to a ceiling on advances. While advances increased by 60 per cent. in the four years before the ceiling was imposed, they have increased by only 54 per cent. in the six years since. But deposits in the same period have risen by 141 per cent.

The banks have placed the excess money in the bond market, a market for mortgage credit which is among the most liberal in Europe. Mortgages are issued against collateral in the property market and mortgage credit societies sell bonds on behalf of home buyers. The income of the person raising a mortgage is not taken into consideration. Until restrictions were introduced, supplementary mortgages could also be raised every time inflation increased the value of a property, with the proceeds being used to buy a new car, a yacht or anything else.

With more and more credit being supplied through the bond market the authorities in 1976 decided to place a ceiling on mortgage society loan offers. The ceiling was retained for this year, but raised by six per cent. to Kr.30bn. The predictable consequence of this move was a massive expansion in the market for privately issued bonds, also called mortgage deeds. There are now suggestions that the authorities will place a ceiling on this market as well (the logical next step would be to prevent individuals lending money to one another, though no one seems to have proposed this yet).

The Government has another card up its sleeve which may avert the necessity for new credit restrictions, however, and this is a proposal to place a coupon tax on bonds. From the moment this is imposed it will have an abrupt impact on liquidity, if only for about a year.

Many of the problems of keeping credit under control would be alleviated if inflation were to be curbed and the impact of budget deficits neutralised, and on both fronts important progress is being made.

The budget deficits which began to emerge with the recession in 1974 led to an explosive growth of the money supply. Between December 1975 and December 1976 money supply increased by about 25 per cent., and the rapid rate of annual increase continued during the first half of last year. But last year the Government also began to make a serious effort to finance the deficit from the non-bank sector by selling Government bonds, introducing for the first time a market in short dated (one to two year) bonds.

Reversed

Sales were sluggish at first, with the authorities holding interest rates below the market average, but in the autumn this policy was reversed and rates were allowed to rise above the market average. As a result the Government succeeded in selling bonds to a value of Kr.10.1m. against a budget deficit of Kr.12.5bn. in the fiscal year ending March 31.

This had a dramatic impact on the growth of the money supply, which in the 12 months to December rose by only 6.4 per cent. (M1) or 11.4 per cent. (M2) and is continuing on this moderate path this year.

As the budget deficit, estimated to rise to over Kr.20bn. in the current fiscal year, will not go away for several years to come, the sale of Government debt will continue to play a major role in the capital market. Given the size of the deficit in relation to the market, the Government debt is expected to ensure a high level of interest rates and to prevent a major recovery in bond prices.

Although the current deficit is expected to fall to about Kr.8bn. this year, the Government does not expect the external balance to return to equilibrium until the early 1980s. The net foreign debt will therefore continue to rise, but as interest rates are roughly in line with the trend of international inflation the real burden to the country of the borrowing is not very great.

In fact Denmark may be able to bring its domestic inflation level below the international rate. Consumer prices have risen at an annual rate of about 10 per cent. over the past half year, but the net price index (excluding changes in indirect taxation) has risen by only 6.5 per cent. over the past 12 months.

The new collective wage agreements which run for two years from March 1 provide for increases of about 6 per cent. a year, and even allowing for wage drift the total wage bill may not increase by more than about 8 per cent. a year. Finance Minister Knud Heinesen told the Folketing (Parliament) last month that he hoped inflation would be reduced to only 5 per cent. next year.

Hilary Barnes
Copenhagen Correspondent

SWEDEN

Worries over inflation

SWEDISH BANKING has just passed through a year marked by a sudden switch at the Riksbank (central bank) from the relatively easy credit policy prevailing at the beginning of 1976 to a strong deceleration. Most commercial banks increased earnings but managements continued to express concern about the effect of inflation on bank capital ratios. Their apprehension was not echoed on the Stock Exchange, where bank share prices rose by an average of 21.5 per cent. compared with a 1.2 per cent. increase in the Affärsvärlden general index.

The boom in foreign business was reinforced and contributed an increasingly large share of the bigger banks' profits. Finally, there has been some controversy among shareholders about the commercial banks' pioneering profit-sharing schemes for employees.

The change in Riksbank policy was dictated by a runaway trade deficit and an expansion in the banks' lending well beyond the 11 to 12 per cent. target it had indicated at the beginning of the year. The relative ease with which credits could be raised domestically also inhibited the foreign borrowing by companies which the Riksbank was trying to encourage.

A warning shot in June, when the discount rate was raised marginally and the liquidity regulations were slightly amended, appeared to have little effect on credit growth, which according to Riksbank's figures measured 22 per cent. over the 12-month period to the end of September. In view of Mr. Krister Wickman, then Riksbank Governor, this high domestic liquidity and the low domestic interest rates were a contributing factor to the run on the currency reserves, which reduced them by one-third in the early autumn.

The outcome was a shock 2 per cent. increase in the discount rate on October 3, accompanied by a 3 per cent. rise in the interest on overdrafts and the imposition for six months of a credit ceiling prohibiting any increase in the overall domestic credit level. In March this year the Riksbank announced continued restrictions on lending with the exception of housing credits and loans refinanced abroad. It explained its decision by the further heavy payments deficit anticipated this year, forecast to reach some Kr.11bn. (£1.46bn.) or about 3.3 per cent. of GNP.

The commercial banks' lending target provides for an increase of six percentage points to September. Their cash quotas were raised from 2 to 4 per cent. and the penalty for failing to meet the liquidity requirements was increased from 4 to 8 per cent.

The restrictions introduced in the autumn hurt bank earnings in the last quarter but did not prevent them recording handsome profit increases for 1976 as a whole. The commercial banks' operating incomes rose on average by 24 per cent. with PKbanken, the State-owned bank, recording an exceptional 50 per cent. growth in its second full operating year.

Capital

The improvement in income derived partly from the increase in capital employed; the commercial banks' equity and legal reserves rose by 13 per cent. The 24 per cent. average earnings rise, however, shows that profitability also improved. The average return on equity and obligatory reserves after tax was 13.1 per cent., Svenska Handelsbanken and Sundsvallsbanken leading the rankings with 15.8 per cent.

The Swedish banks have undertaken a tough rationalisation and efficiency drive over the past few years. Some of them are now beginning to feel there is not much more to win in this direction at the same time as they have been experiencing the effect of inflation on their capital bases.

The result has been a demand for the easing of controls to enable the banks to improve earnings even above the currently seemingly high level. Although Skandinaviska Enskilda Banken raised its income by 20 per cent. last year to almost Kr.600m. (£80m.), improved its profitability and strengthened its capital base, its managing directors still complain that profits were not sufficient to cover adequately tax charges, pay shareholders a satisfactory dividend and maintain the capital/debt ratio.

A State commission is urgently studying whether the Banking Act can be amended to enable banks to operate with lower capital ratios. But Mr. Jan Walan Wallander, managing director of Svenska Handelsbanken, is one banker who considers that any such change would be only of short-term benefit and could be detrimental to the banks' foreign business. He has been urging the new non-Socialist Government rather to allow an expansion in interest margins.

The limits imposed domestically make foreign operations all the more attractive and Swedish banks have expanded quickly abroad over the last few years. Skandinaviska Enskilda, for instance, disclosed for the first time in its annual report that over a third of its 1976 income was generated by its foreign business. Last year it added to its holding in the Scandinavian Bank, London, and the Banque Scandinave, Geneva, a half share in the Newdeutsche-skandinavische Bank in Frankfurt and opened Scandinavian Securities Corporation in New York.

Mr. Wallander noted that Handelsbanken had been able to a large extent to meet its customers' needs from funds obtained abroad and underlined the further possibilities in foreign business. PKbanken established a wholly owned subsidiary in Luxembourg last year.

Earlier this year a stormy annual general meeting approved Skandinaviska Enskilda's plan for a three-year experimental profit-sharing scheme for its employees. These will obtain a sum corresponding to one-fifth of the shareholders' annual dividend but with conditions under which the payment would be lower, if the bank's profit falls below a given level. The scheme has been seen as Swedish banking's answer to the union-controlled wage-earner funds proposed by the trade union federation.

William Dullforce
Nordic Correspondent

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Still a growth industry

AS SLUGGISH as the Swiss economy remained throughout last year, the banking sector went on growing. The combined assets of the 71 reporting banks covered by National Bank statistics rose by rather over 7.7 per cent. during 1976, to reach a record Sw.Frs.268bn. — compared with gross national product estimated for the year at some Sw.Frs.147bn. And this excludes below-the-line fiduciary assets, which in the case of foreign balances amounted to Sw.Frs.57bn.

The five big banks — Union Bank of Switzerland, Swiss Bank Corporation, Swiss Credit Bank, Swiss Volksbank and Bank Leu —developed at a rate above that for the system as a whole, their combined balance sums rising by nearly 9.8 per cent. to Sw.Frs.161bn. This means that their share within the banking system continued to grow, again reaching the 60 per cent. they had in 1972. Although Swiss regulations mean that equity is high and return on investment relatively low, profits did attain new peaks in 1976 and the big banks are anything if not prosperous. Initial indications are that the other categories of bank also had a good year of it and in many cases the best year yet.

At the same time, the market was in an excellent condition for the raising of new funds. During 1976, the cantonal banks (including their joint mortgage-bond unit) borrowed a gross Sw.Frs.762m. on the open capital market at coupons which fell in the course of the year from 6½ per cent. to 4½ per cent., while other banking institutions raised a total of Sw.Frs.473m.; this latter sum included Sw.Frs.100m. loans by each of the three biggest commercial banks. New share issues by banks totalled little short of Sw.Frs.800m., including a lion's share of over Sw.Frs.426m. taken up by the Swiss Bank Corporation.

BIG THREE RESULTS
(Sw.Frs.m.)

	Swiss Bank Corporation 1976	Swiss Bank Corporation 1975	Swiss Credit Bank 1976	Swiss Credit Bank 1975	Union Bank of Switzerland 1976	Union Bank of Switzerland 1975
Total assets	52,757	49,838	41,604	36,799	52,651	47,294
Net profits	226.1	199.8	201.4	173.1	233.8	208.9
Income	3,060	3,209	2,453	2,427	3,136	3,134
of which: Interest	2,129	2,383	1,608	1,691	2,071	2,232
Bills and money-market paper	140.1	161.3	87.5	109.3	195.8	159.2
Commission	379.9	296.8	384.9	314.7	490.3	420.4
Foreign exchange and precious metals	160.7	196.3	139.9	144.8	142.0	151.0
Securities	188.8	121.0	174.1	111.7	187.2	125.8
Participations	22.5	20.1	28.3	30.3	21.6	19.2
Other sources	38.7	31.1	30.6	25.2	28.4	26.3

Restrictions

Despite this, banking did not present a picture of unalloyed bliss in Switzerland last year. Income from foreign-exchange and precious-metal dealings was noticeably down in the profit and loss accounts of most banks, for example, a result not only of international monetary developments but also due to the considerable restrictions to which this business is subjected by the National Bank. The balance of interest was also generally down on 1975 levels. The improved capital market conditions, however, led to substantial rises in profits on securities and commission business.

In the balance-sheets, there was an overall rise in both lendings and deposits. In particular the very low inflation rate, which averaged an annual 1.7 per cent. during 1976, brought about a jump in savings accounts and sight deposits. The situation with regard to the granting of credit has been causing Swiss bankers some headaches; while there has been a sizeable expansion in loans to foreign clients and Swiss-based multi-nationals, there is a lack of really good domestic debtors at a time of low investment and a still rather shaky economy. A good deal has been done, especially by the big banks, to boost export credit business, but this is not particularly profitable partly due to the National Bank-backed campaign to aid small and medium-sized exporters by advantageous interest conditions.

On the *home front*, this year has as yet brought little change. Inflation is even lower than in 1976, having been an annual 1 per cent. or less for each of the months in the first quarter, and the economy is still awaiting a real upswing. The banks' engagement on capital markets appears to have fallen off rather than increased, at least domestically, and it remains to be seen whether 1977 will again see a marked improvement in securities and commission earnings. The precious-metal sector seems in better shape, although there is apparently little the banks will be able to do to expand foreign exchange volumes — and profits — significantly.

The Swiss banking industry, or rather the private enterprise banks, are hard at work expanding their international networks. Interest has been focused particularly on the United States and OPEC countries of late, although some banks are also building up in such other centres as Luxembourg. This month the Swiss National Bank reported that foreign assets of Swiss banks abroad — excluding trustee accounts but including National Bank swaps — grew last year by Sw.Frs.8bn. to Sw.Frs.81bn., corresponding liabilities rising Sw.Frs.6bn. to Sw.Frs.57bn. When trustee moneys are included, assets exceed liabilities by the stately sum of Sw.Frs.31bn. The strengthening of international networks—and this applies not only to the Big Three—is enabling Swiss bankers to play a much more active part in foreign financing and at the same time insure themselves to some extent against the vagaries of their own small country's economic development.

This does not mean the banks now see themselves as multinationals. Like the share ownership of most Swiss banks, the operating headquarters will stay very firmly put in Switzerland. But the opportunities for expanding at home are limited and banks, for all their success in offering new services, are keeping the brake on costs. Relatively few new local branches are being opened in a country with a remarkable density of banks, and major takeovers are rare: the only really big merger of 1976 was that between Swiss Credit Bank and Schweizerische Bodenkreditanstalt, and even here the bank taken over had already been affiliated. There is unlikely to be any growth in the number of individual banking companies working in Switzerland. The day of the new foreign-controlled bank is virtually over, and of the small and very *small domestic institutions* there is likely to be a certain pruning of a Darwinian nature.

Bankers continue to show concern at what they feel is a growing tendency for Government and the National Bank to limit their operations. The almost total lack of the former "overheating" of the economy has, in fact, meant that a good many controls have now been dispensed with—such as credit growth ceilings, minimum-reserve requirements or the ban on foreigners' investments in Swiss securities. But the authorities, who in 1976 alone had to intervene on the foreign-exchange market to the tune of Sw.Frs.18.8bn. to stop the Swiss franc rocketing even higher, continue to apply very tight clamps on foreigners' deposits and forward dealings in the national currency and on the foreign-exchange business in general.

Secrecy

Also, the long-drawn-out battle of banking secrecy is still being fought. Not that any responsible politician or civil servant wants to scrap the principle as such; rather, there is increasing pressure for the toning down of banking secrecy in certain specific cases. This January, for example, a legal-aid agreement was put into effect with the United States which foresees the lifting of banking secrecy in fiscal cases where banks' clients are provably members of an organised crime ring. As small an encroachment as this may seem, many bankers consider it the thin end of the wedge, particularly since there is talk of the Swiss-U.S. legal-aid agreement serving as a model for others. The vexed question of the numbered account has also had a recent airing again, with no less than National Bank managing director Professor Leo Schürmann hinting broadly that the banks should take voluntary action to stop misuse of this facility.

BANK ASSETS
(Sw.Frs. bn.—December 31, 1976)

	Big Five	28 cantonal	38 other*
1972	121.2	57.8	22.0
1973	121.1	61.7	23.9
1974	125.8	67.1	25.2
1975	147.0	74.6	27.1
1976	161.4	79.4	27.0

*Reporting regional and savings banks

Other points at issue include plans to insist on some kind of proficiency qualification for foreign-exchange dealers. Here it is less the big banks who are put out than the smaller banks with only occasional demand for foreign exchange business.

More weighty is the proposed revision of the legislation governing the functions of the National Bank. As Crédit Suisse puts it in its annual report, banks "have grave misgivings about certain tendencies embodied in these proposals leading to increased influence of the Confederation in monetary matters and jeopardising the independence of the central bank." It goes on to voice concern on the part of bankers at the potential powers the authorities would have to influence the direction of credit flows "in contradiction to the fundamental principles of a free-market economy." Swiss Bank Corporation, for its part warns against any misuse of a new economic-policy clause in the Federal Constitution "for regional or structural purposes or for the passing of measures foreign to a free-market economy."

Many statements now being made are of a prophylactic nature rather than indignant reactions to new measures just around the corner. It will take a long time yet for the National Bank Law to be revised, and it is still the subject of considerable discussion. And it will be a long time, too, before the Government could act on new powers which might—or might not—be granted it in the next referendum on the economic-policy amendment to the Constitution, the so-called *Konjunkturartikel*. For the time being, and at least in the medium-term, Swiss banking is not noticeably threatened.

John Wicks
Zurich Correspondent

NORWAY

Tighter limits on credit

THE MOST significant event in Norwegian banking over the past year has been the final report from the Royal Commission on the Democratisation of the Banks and the Labour Government's decision to legislate on the lines of the majority recommendations. The main influence on the banks' daily operations continued to be the credit policy pursued by the authorities, which became increasingly restrictive in the second half of 1976. The commercial banks, nevertbless, were able to improve earnings and increase shareholders' dividends.

The Government tabled its Bank Democratisation Bill at the beginning of March and hopes to have it through Parliament and effective from January 1 next year. The General Election in September could, however, change the present majority in favour of the Bill within the Storting into a minority, so that the banks' final fate is not completely certain.

In fact, the Government Bill is considerably less radical than the banks feared, when the Finance Minister, Mr. Per Kleppe, proposed the move to greater public control three years ago. Its main provision is that final authority should be vested in the banks' representative councils, five-ninths of whose members would be appointed by Parliament or, in the case of the provincial banks, by the elected county councils: three-ninths would be appointed by the shareholders and one-ninth by the bank employees.

The representative council would in turn appoint the Managing Board, which must include the managing director and one representative elected by the employees. The council would not interfere in Board decisions concerning loans or other management functions.

The Bill, following the Commission's recommendations, would allow the banks to retain a joint-stock company organisation but provision is made for banks on their own initiative to transform themselves into "self-owning institutions." Dissatisfied shareholders can, within a three-year period from the date on which the law comes into effect, sell their shares to the State either at the prevailing market price or the average price for the three preceding years.

Mildness

The relative mildness of the Democratisation Commission's recommendations was one factor in the 5 per cent. rise in the value of bank shares on the Oslo Stock Exchange last year. Other factors were new share issues totalling Kr.302m. by the banks, the good results for 1975 and the expectations, eventually justified, of higher *dividends for 1976*.

The Commission's investigation also prompted a remarkable statement from the Governor of the Bank of Norway, Mr. Knut Getz Wold, who stated that the Bank of Norway would under no circumstances allow a Norwegian bank to default on its payments and would also provide sufficient cash to prevent any wholly owned or partly owned Norwegian subsidiary bank abroad from defaulting.

The tight money policy pursued by the authorities in the second half of 1976 was aimed at curbing the rate of growth in commercial and saving bank lending to the private sector. After a tightening of liquidity, the commercial banks were paying penalty interest rates of 11.5 per cent. on their borrowings from the Bank of Norway at the end of October. In effect, the decline in lending was not enough to meet the Bank of Norway's target to limit commercial bank credits growth to Kr.3.95bn. during the year. Commercial bank lending rose by Kr.4.4bn. during 1976.

After an upturn in the rate of lending in December and January, the Bank of Norway raised the primary reserve requirements for the banks in southern Norway by one percentage point in January. New ratios for the obligatory bond purchases mean that the banks will have to increase their bond holdings by Kr.4bn. this year. These moves foreshadow a *continuing restrictive credit policy* this year, motivated in large measure by the need to counter the expansionary effect of fiscal policy and lending through the state banks.

William Dulforce

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SPAIN

Anxiety about the political trend

SPAIN is now less than 50 days from its first general election for more than 40 years and is still deeply enmeshed in the worst economic downturn it has suffered since the pattern of strong annual growth rates developed at the end of the 1950s. Attempting to build a new democracy on the foundations of an old dictatorship without damaging irreparably those parts of the structure which keep the edifice standing, calls for rare political skills.

To do so against a background of major short-term economic difficulties and a series of profound questions on mid- and longer-term prospects that are linked to significant social changes, demands not just exceptional leadership but also great good fortune.

Since the death of General Francisco Franco in November 1975 the optimists, despite some bad days, have more often been vindicated than scorned. The importance of this achievement is that confidence, which is so vital to economic recovery, has suffered less than a mortal blow and a series of more favourable indicators would not just help a very dismal investment climate but provide a more encouraging atmosphere for the adaptation and restructuring that has to come.

The banking community, with its central if not dominating position at the heart of the economy, is therefore crucially involved. But just as Spain was late into the more generalised Western recession, so the country's major banks have yet to suffer the full implications of the downturn. For 12 months after the outbreak of war in the Middle East in 1973 the Spanish economy scarcely reacted to the sharp increase in crude oil prices or the steady decline in world trade. If the radical change in Spain's balance of payments position, from strong surplus to even more weighty deficit, was noted officially very little was done to halt the worsening trend.

This led to a current account deficit last year of more than $4bn. with reserves being run down to just below $5bn. Total foreign debt, now understood to be in the region of $12bn., is not yet at the point where serious resistance from creditors has set in but the burden of servicing these loans is an added problem for a country which imports more than twice as much as it exports. The first quarter of this year has shown some improvement in this trend, but at the price of virtually nil growth.

During the past two years the increase in the Gross National Product has only been marginally above the range of possible statistical error, while inflation, which has been brought under control in most member countries of the OECD, has increased sharply. Price rises appear to have achieved such a built-in momentum that forecasts for 1977 suggest another surge of 5 per cent. or perhaps even more, on top of last year's officially measured 19.8 per cent.

Wages policy, in so far as it exists or is policed, allows for increases equal to the cost-of-living index over the past 12 months plus 2 per cent. During 1976 the best organised and militant industrial workforces beat that official target quite comfortably with some managements of large concerns conceding more than 30 per cent. increases.

Unemployment is necessarily rising, aggravated by the return of emigrants and by the relative youth of the nation which every year brings a flood of school-leavers on to the market for the first time. Official statistics are *conflicting and incomplete* but best estimates suggest an unemployment figure of over 6 per cent. which is likely to climb steeply in the autumn once the beneficial summer seasonal factors are past.

If the rise in unemployment is not to become a cause of social tensions during the sensitive birth of a new political system then the Government will have to aim for at least a 3.5 per cent. real annual growth rate. According to some economists a figure much above that, even if it were possible, would tend to widen further the current account deficit, the financing of which is already causing headaches.

At a time when inflation is running at above 20 per cent. the banks have argued that their real improvement in profits was therefore in no way excessive. Senior bankers complain that the tremendous efforts they have made recently to fuel investment and combat the effects of recession and unemployment is scarcely known by the country. Even so it must be comforting to achieve simultaneously what are by Western standards highly satisfactory profits.

The issue for the banks, however, is the extent to which they can continue to shield themselves from the problems that are afflicting their customers. This is complicated by the major direct industrial holdings of the more important banks and their vulnerability to the inflationary trend. They are also having to face the almost certain entry into the Spanish market of foreign banks, although the indications are that this will not happen until next year.

Foreign

With Common Market membership being actively discussed and substantial foreign loans needed for the foreseeable future the entry of foreign competition for the first time since the end of the Civil War is inevitable but need not be alarming for the Spanish banks. None of those currently knocking on the door with justified requests for reciprocity of treatment will compete on the Spanish market for deposits, at least to any significant extent. Where they may hurt the Spaniards is via their established links with the many multinational companies operating in Spain and with their expertise in international markets.

Whatever views on economic and financial structures are held by the Government that emerges after the June 15 elections, it is sure to face mounting pressure from the country's savings banks for greater control of their own operations and more freedom on investment decisions. This will also have its effect on the commercial banks who are themselves facing sterner competition from the savings banks for deposits.

The current debate about whether interest rates should be freed from official control is particularly relevant to the savings banks which provide much of the relatively cheap money that is channelled into companies and industries deemed of special importance by Government agencies. This particularly applies to companies controlled by the State holding company INI, and it cannot … much longer before relative[ly] naive and often rural deposito[rs] realise there is something aw[…] when they are receiving som[e]thing less than five per cent. [for] their money while inflation [is] running at four times th[at] figure.

The whole question of soci[al] pressures, the worsening eco[nomic] situation, the inevitab[le] advent of trade unionism, t[he] emergence of Left-wing polit[i]cal parties and the central ro[le] played in the economic dire[ction] of the commercial banks ha[s] served to raise the wo[rd] "nationalisation" during t[he] past 12 months with increasin[g] insistence.

The arguments against it a[re] well known. As stated by o[ne] senior banker, nationalisati[on] would adversely affect emplo[y]ees, companies, other financ[ial] institutions and indeed t[he] whole nation by concentrat[ing] all the country's econo[mic] power in the hands of t[he] State. This would irreversib[ly] involve severe restrictions [on] collective and individual libe[rties], and would anyway pro[ve] grossly inefficient. Hence t[he] desire, especially among t[he] more modern of the big bank[s], to emphasise the degree of p[ub]lic participation that is alrea[dy] enjoyed in their activities.

Politically Spain is not goi[ng] to be another Portugal. B[ut] there are still some lessons [to] be drawn from the past th[ree] years in Lisbon for the Spani[sh] banking fraternity. Not le[ast] that among some important s[ec]tions of the political world [in] Madrid the banks are identifi[ed] as the financial arm of [the] authoritarian political syste[m]. Thus there are doubts wheth[er] the banks will in the last reso[rt] be fully at the service of [a] democratically elected gove[rn]ment, should that governmen[t's] policies contradict the wishe[s] of the banks.

Undoubtedly Spanish banki[ng] has enjoyed a privileged po[si]tion in the country's hierarc[hy] during the past four decade[s]. The interaction of the ne[w] political, economic and soc[ial] trends in Spain, combined wi[th] the banks' willingness [and] ability to adapt to the new situ[a]tion, will prove critical [in] deciding whether nationalisati[on] is anything more than [an] impotent threat.

Roger Matthew[s]
Madrid Correspondent

FINLAND

Improving outlook

AFTER TWO long years of deep depression the Finnish economy has at last turned the corner. It is still limping but the healing process has started. The prognosis has improved.

For most Finnish industry 1976 was a year of crushed hopes. Most company annual reports for the last fiscal year make gloomy reading. The word "unsatisfactory" appears in the banks' annual reports, and with reason. It was the second successive year of very tight money and strong demand for credit. But macro-economically there were some encouraging achievements last year, and the main indicators lend support to a more optimistic outlook, though still with certain reservations.

The same four major problems remain as in 1976—a high current account deficit, a huge long-term foreign debt, high inflation and a politically unacceptable unemployment rate. But the order has changed in 1977. Thanks to the tough and tight monetary policy of the Bank of Finland, the current account deficit was nearly halved in 1976 and stood at F.mks.4.3bn. (approximately £670m. at the December 1976 exchange rate) at the turn of the year. The annual rate of inflation was *reduced from 18.1 to 12.3 per cent.* Unemployment continued to grow, but was held at an annual rate of 4.1 per cent. The long-term foreign debt also increased to F.mks.23bn., 22 per cent. of the GDP. But the growth rate was slowed.

In the 1977 list of priorities unemployment moved up to first place, for it peaked at something over 6 per cent. early in the year, very high by Finnish standards. The predicted rate for the whole year is 4.5 per cent. Inflation is still running at an annual rate of over 12 per cent., and may get higher as a result of the 5.7 per cent. devaluation of the Finnmark in April this year. The current account deficit seems to be under control: the target for this year is F.mks.2.57bn. The long-term debt will increase again, but this does not seem to be affecting Finland's international creditworthiness.

All in all the long-awaited recovery is in sight. The growth forecast in GDP this year is 3.5 per cent., versus 0.3 per cent. in 1976. Exports are expected to increase by 11 per cent. in volume and 20 per cent. in value in 1977, and imports by 4 per cent. and 11 per cent. respectively. But it is still a long haul before exports get back to the pre-depression level.

Stocks accumulated during the two bad years must be liquidated before strengthening foreign demand can have a full impact on industrial production. The forest industry, the mainstay of the economy, does not expect to work at much better than 75 per cent. of capacity this year.

Modest

Thus industry is not in an expansive mood. The forecast growth of investment this year is a modest 4.5 per cent., and this must be set against the contraction of 13.6 per cent. in 1976. In the short term, with swollen stocks, plenty of surplus capacity resulting from the investment splurge of 1973-74 and financing difficulties, this presents no great handicap to industry. But assuming that economic activity strengthens in the market economy countries in the early 1980s, capacity expansion will probably be required in the not-too-distant future. It would be particularly desirable in terms of employment.

Apart from the uncertainty of assumptions about the coming decade, financing is the big problem for new investment just now. The commercial banks, the main source of credit for industry, are in a difficult position. Apart from investment credits, there is also a need of operating capital. Even big groups of high repute that have never before had to ask for an extension of their loan terms are now doing so. The old credit escape route for Finland — foreign financing markets — is closed. The Bank of Finland is screening all applications to borrow abroad very strictly.

The central bank is also still steadily tightening what is virtually the only domestic source of secondary credit, its own quotas for commercial bank borrowing. From F.mks.2.5bn. in June, 1976, these quotas have been reduced in steps to F.mks.1.9bn. as of May next. As the banks could not keep even within the old quotas, and had to pay expensive penalty rates of interest for exceeding them, further drastic screening of their clients' credit applications will be required. According to the Bank of Finland's guidelines for lending policy, the only investment projects to be accorded priority are those promoting profitable export and import-substitution production.

From the banks' point of view the decline in the propensity to save is compounding the difficulties, and is even alarming in a country that has always been noted for its high savings ratio. The savings ratio of households fell from 15.9 per cent. in 1975 to 9.1 per cent. in 1976. The growth of deposits shrank from 20.3 per cent. to 11.9 per cent., and about half of the latter derived from accumulated interest left on account.

High inflation and the steeply progressive scale of income taxation are the culprits. The Government has made a 14 per cent. adjustment for inflation in the tax scales for this year, *which will add 3 to 5 per cent.* to the disposable income of wage-earners, depending on their income bracket. A similar adjustment has been promised for next year. It remains to be seen how much of this will be saved.

If all goes well the potential saver may soon be offered a new alternative to the deposit account that has been his traditional stand-by. After years of deliberation and committee work, a Bill is being drafted to permit the establishment of mutual funds in Finland. Because of the strict security regulations envisaged, these will probably be run by the big banks and/or insurance companies. The mutual funds could diversify and strengthen the structure of the somewhat inadequately developed capital market in Finland.

Changes in the banking laws are foreseen in the report of the Banking Legislation Committee completed late last year. It proposes that Finnish commerc[ial] banks should be allowed a ma[xi]mum holding in foreign financ[e] institutions of 15 per cent. (e[x]ceptionally 20 per cent.) of th[eir] own equity capital. For mo[rt]gage credit banks the maxim[um] foreign holding should be 5 [per] cent. (exceptionally 10 [per] cent.) of their equity.

The committee recommen[ds] that a special law be passed [on] the right of foreigners to o[wn] shares in Finnish banking in[sti]tutions. Foreign banks sho[uld] be allowed to establish rep[re]sentative offices in Finland (in fact there are two already) [and] acquire shareholdings in Fin[nish] banks, but not to estab[lish] branch offices. The sum of foreign holdings in any indi[vid]ual bank should not exceed [...] per cent. of the bank's sh[are] capital without special per[mis]sion of the Government—a [re]striction that is already [con]tained in the by-laws of m[any] Finnish companies.

Rumour

A devaluation of the F[inn]mark has been the subject [of] rumour and wishful thinking [for] at least two years. But [the] general consensus has been [that] with foreign demand for Fin[nish] exports as weak as it has [been] and the net foreign long-t[erm] debt as high as it is, a chang[e in] the exchange rates would [be] both irrational and exper[…] just now. This thinking is [...] valid for a major devaluatio[n as] opposed to the moderate 5.7 [per] cent. lowering of the value o[f the] Finnmark on April 4 after [the] surprise devaluation of [the] Swedish krone by 6 per cen[t. on] April 1.

The Finnish move was [more] or less inevitable. Swede[n is] Finland's biggest competit[or in] the all-important West Euro[pean] pulp and paper market. Fin[nish] industry had already been [com]plaining that its internati[onal] competitiveness had been [...] eroded by inflation and [...] wage costs. To allow Swede[n an] additional 6 per cent. com[peti]tive edge was virtually unt[en]able. On top of that Sw[eden] itself is Finland's No 2 e[xport] market, after the Soviet U[nion].

Lance Keyw[...]
Helsinki Correspon[dent]

Battling to keep afloat

MASSIVE foreign loans supply the lifeline to which Portugal clings in its struggle to avoid sinking into an economic quagmire. At the end of 1976 foreign debt totalled $3.150bn. This year's $300m. emergency loan from the U.S. Treasury and the urgently needed $1.5bn. IMF consortium loan which President Carter is now trying to organise (the U.S. will contribute 35 to 40 per cent., but other countries, notably Japan, seem less than enthusiastic about taking a sizeable share) will drive Portugal to a degree of debt which threatens to exceed gold and foreign reserves (estimated at $3.684bn.).

Chronic industrial and agricultural backwardness kept Portugal lagging behind Western Europe after World War II. This defect was aggravated by the revolutionary storms of 1974-75, thereby increasing already excessive dependence on the outside world for supplies of oil and raw materials, foodstuffs, animal feeds and manufacturing equipment.

Inevitably the balance of payments — kept relatively stable in the early 1970s through invisible earnings from tourism and emigrants' remittances (masking a chronic trade deficit) has now slipped into the red—to $420m. at the end of 1974 and $920m. at the end of 1976.

GDP at market prices dropped in real value in 1975 (having risen by 10.5 per cent. in 1973) through a fall in investment and exports. Meanwhile with the institution of a national minimum wage in 1974 (then $89 a month, now $120 a month) private consumption rose, as did public spending, with the dawn of the welfare state and nationalisation of a sizeable portion of the means of production, as well as transport, insurance and banking.

Portugal now consumes 52 per cent. more than it produces —in food as well as consumer goods. The tendency to consume rather than save spreads throughout the social strata. Meanwhile, State revenue from taxation has lagged behind State spending. This year's budget deficit is forecast at $1.3bn.—and is likely to exceed that.

Thus the central bank—the Bank of Portugal—has become the "first aid station" of the flagging economy, dispensing 23.3 per cent. of its assets in loans to the public sector (and 7 per cent. to the private sector), subsidising shortages of cash in the commercial banks, and issuing notes from what disgruntled Portuguese economists call the "24-hour-a-day money machine" for which coverage from reserves has diminished dangerously in the last 2 years (according to figures published by the Luso-German chamber of commerce only 13 per cent. of the currency in circulation is now covered by reserves).

Urged on by the IMF, which is closely watching Sr. Mario Soare's minority Socialist Government's efforts to cure Portugal's economic diseases, the Cabinet recently took a series of measures aimed principally at cutting the balance of payments deficit.

The escudo was devalued by 15 per cent.—theoretically making Portuguese exports more attractive to overseas buyers and stimulating tourism and emigrants' remittances.

Stiff quotas or surcharges have been placed on luxury and non-essential imports (cars, household appliances, coffee, tea, cheese, bananas, cosmetics, spirits, etc.) and would-be importers of such goods must deposit the full price of orders in the bank. Credits will only be granted for essential imports of food, animal feeds, raw materials, manufacturing equipment, etc.

Incentives for exports will be granted through tax and credit concessions—but before Portugal can increase its exports its industrial structure must be modernised, labour relations improved and, above all, confidence restored to private investors who have so far refrained from putting money into present industries or new projects.

Private industry maintains that as long as banking is banned to the private sector, the economy will not progress, since State-owned banks concern themselves with the degree of security offered by prospective borrowers rather than the validity of project.

Portugal's 18 commercial banks, under the regime overthrown in April 1974, became holding companies and nerve centres of the powerful monopolies which together controlled 51 per cent. of the fixed capital formation and some 60 per cent. of industrial activity.

In March 1975, when the Revolution was at its height, the commercial banks were obvious targets of the powerful Portuguese Communist Party and its military supporters. When the banks were nationalised that month, the State—then hurtling towards State capitalism, Russian style, becamse the country's most powerful industrialist, financier and trader—without the men, skills or knowledge to cope with its new acquisitions.

Bank clerks replaced the former hierarchy, deciding to whom loans would or would not be granted. As workers took over companies and rural labourers took over private farms, the banks became the lifeblood of the political thrust forward by the Left.

As production dropped in nationalised companies and in small companies where the workers had driven out the owners and demanded State subsidies, in agriculture and in private business, the drain on the banks continued—worsened by the fact that a panicky public withdrew its saving, that the better-off smuggled escudos out of the country in large sums (or deliberately bought foreign currency to cripple Portugal's reserves) and that emigrants refrained from sending money home.

The excesses of the revolution came to a sudden halt in November, 1975, when forces led by the present President of the republic, General Antonio Ramalho Eanes, crushed an extreme Left-wing attempt to take over military command. Since then Portugal has been painfully picking up the pieces. Communist supporters are no longer in control of the banks, chaotic outpourings of indiscriminate loans have dwindled, while some private businesses have been able to secure credit. But there is still much ground to be made up.

The Bank of Portugal retains quasi-monolithic powers as the primary source of domestic finance. Meanwhile, the Government is working out plans to rationalise the entire banking system, merging some small provincial banks with larger concerns, and working towards a system whereby commercial banks will foster regional development and other projects.

The Socialists have now lost control of the bank employees' union to the Social-Democrat, middle-of-the-road PSD/PPD (Popular Democratic Party). Recent union elections drove the Socialists into third place (the Communists came a close second to the PSD/PPD). This event is seen as a sign of white-collar anger with what has become the most burning issue of Portuguese life to-day—the soaring cost of living.

While wages are held to a 15 per cent. ceiling for annual increases, the cost of food has rocketed by 30 or 50 or even 90 per cent. a month. Fares, fuel and clothing have also risen. Devaluation is bound to add further burdens to the food bill since 52 per cent. of foodstuffs comes from abroad.

Nineteen seventy seven promises to be a disastrous year for agriculture — after six months of heavy rains which have damaged grain, vegetables and fruit crops. The estimated bill of $700m. for imported foodstuffs is likely to be far higher by the year's end.

With a drop in real wages in 1976 and 1977 (after a brief upsurge in value in 1975), the Government faces mounting public outcry at its apparent inability to control price inflation, as well as scepticism over its ability to halt sharp practices by middlemen and retailers who ignore Government-fixed prices and charge what they please or hold back stocks until prices rise.

At present the Government is treading a precarious course. All plans to increase industrial production, exports, welfare services and standards of living rest on its capacity to assure the Portuguese people—of all political leanings including the Socialists—that they will be able to eat in 1977 without having to resort to bank loans to purchase a square meal.

The mood in Portugal is pugnacious—and the Communist Party, avowedly averse to Portugal's entry into the Common Market as a full partner—is making easy political capital of the appalling cost of living.

Portugal has now presented its formal bid to join the EEC, and hopes for a reply in the affirmative by the end of the year if not before. Meanwhile, unless drastic cures can be found for economic maladies, partnership in Europe may remain little more than a pipe-dream. On the far Right and the far Left, forces are gathering which will resist a smooth passage towards Western Europe. Continued foreign aid will be of little avail if the Portuguese themselves give up the struggle to help their country's survival.

The Government does not underestimate the gravity of the economic situation, or the precariousness of its own position. Its efforts are sincere—but so far it has not found a formula that inspires the confidence of management, workers, the young or the old. The signs are disturbing.

Diana Smith
Lisbon Correspondent

AUSTRIA

Avoiding complacency

THE AUSTRIAN economy has quickly recovered from the effects of the slight recession in 1975 and the latest report of the respected Institute for Economic Research indicates that the economic upswing will continue this year. The growth forecast for GNP has just been revised upward from 4 per cent. to 4.5 per cent. for 1977, and the outlook for 1978 is also regarded as favourable. The labour market is becoming tight again with the number of employed in February up by 2 per cent. on the same month a year earlier. The rate of unemployment should fall below 2 per cent. this year. Private consumption should rise by 4 per cent. and industrial investments by 12.5 per cent. compared to 1976.

Austria is more than ever a country of labour peace. According to the latest annual statistics, strikes were at an all-time low in 1976 with only 2,352 people involved, and lost working hours totalled less than 5,000. This means that for each person gainfully employed there were only 6.3 seconds lost due to strikes.

The glittering facade of healthy growth and full employment against the background of labour peace is, however, somewhat misleading. The mood in industry and the business community is distinctly more pessimistic than warranted by the favourable growth forecasts for 1977-78. In this stability-conscious country an inflation rate of 7.3 per cent. in 1976 which, albeit on the basis of a differently compiled basket, even fell to 6 per cent. in February compared to the same month a year ago, is nevertheless regarded with growing concern.

Weighty

There are several weighty reasons for the relative gloom which pervades the statements made by leading officials of the Federal Chamber of Economy and the Industrialists Association. To start with, the rate of inflation is here traditionally compared to the performance in Germany and Switzerland rather than to the price spiral in Britain or Italy. In contrast to recent years, there has emerged a widening gap — in favour of the two neighbours. Thus, last year for example, Austria recorded an inflation rate of 7.3 per cent. against 4.6 per cent. in West Germany and 1.7 per cent. in Switzerland. Though this year inflation is expected to be reduced to an annual rate of 6.2 per cent., this will fall still far short of the likely performance of the two neighbours.

Industrialists and exporters complain that the seemingly impressive growth rates in exports (up 16.5 per cent. last year) constitute only one aspect. The other side of the coin is the pressure on profit margins and decreasing earnings due to price concessions made in order to protect market shares. The point is that the exchange rate of the Austrian Schilling is pegged to that of the Deutschemark, leading to a de facto revaluation with regard to other major currencies last year.

Last year, Austria was hit by a 58 per cent. jump in the visible trade deficit to an all-time peak of Sch.53bn. (£1.8bn.). This was due to the fact that the import bill was up by 26 per cent. while exports rose only by 18 per cent. A matter for conjecture is how far special factors such as stock-building, combined with a rapid rise in car and fuel imports, contributed to the increased deficit. Tourism, which traditionally used to offset about 80 per cent. of the trade deficit, managed to offset only 50 per cent. last year. The servicing of the quickly rising external debt involved a 61 per cent. increase in net interest payments to the tune of Sch.3.8bn.

The latest forecast reckons with hardly any change in the size of this year's trade deficit which is expected to reach about Sch.52bn. The current account deficit is likely to be in the same order as in 1976 when it totalled Sch.16.3bn. Gross foreign exchange reserves in 1976 dropped by Sch.22bn. This year, the terms of trade have begun to improve, and the surplus on services should cover 76.4 per cent. of the trade deficit as against 73.8 per cent. in 1976. All this, however, does not change the fact that the estimated Sch.16bn. current account deficit this year can no longer be attributed only or mainly to special season factors.

In the first two months of 1977, for example, the trade deficit was up by 36 per cent. on January-February, 1976, and despite capital imports to the tune of over Sch.1.2bn., total foreign exchange reserves fell by Sch.1.8bn.

Despite a net foreign borrowing in the order of Sch.12bn. this year, reserves will fall by Sch.4bn. This in turn raises serious questions about future monetary policy since, as pointed out by Dr. Treichl, "a growing economy needs growing money supply." It is generally reckoned that the economy needs at the very least an increase in the central bank money supply of Sch.8bn. to Sch.10bn. this year. The liquidity strains are already evident in the rapid rise of the money market rates from 4.75 per cent. in January, 1976, to 7.75 per cent. by the end of March this year. Dr. Treichl also warned that the interest rate differential between those on the money market and the long-term bond rates dropped to a mere 0.75 per cent. as against 2.75 per cent. in West Germany. Furthermore, there is general uncertainty concerning the future structure of interest rates on deposits and the liberalisation of interest rate policy.

The economic commentator of "die Presse," Herr Karl Graber, recently warned that the government is faced with the choice between a drastic revision of its budget policy, which he regards as the real source of cost inflation and payments crisis, and the collapse of the so-called "hard currency exchange rate policy." Even the Socialist "Arbeiter Zeitung," while dismissing the alarmist talk about the financial situation, has taken the unusual step of publicly criticising the lack of a monetary concept and joined the call for open-market operations.

The reserves position and the level of external debt give no reason for immediate concern. But the passivity of the Central Bank engenders a climate of uncertainty in the banking world and may in a longer view pose an indirect threat to investments and give an unwelcome push to the interest rate level.

Compared to most Western European countries, Austria's post-war record in economic growth and social stability is outstanding. But for all the recent optimistic forecasts of the various research institutes, not even the Austrians can afford in the long run to live beyond their means and to consume more than what they produce.

Paul Lendvai
Vienna Correspondent

Adjusting to a new set of rules

DURING THE past year the New Zealand banking system has been learning to adjust to revolutionary changes in the country's monetary policy. The changes, the most significant in the past 40 years, have been publicly dubbed "revolutionary" by New Zealand's most respected banking economists and the Bankers' Association. The effects of the revolution, begun in March, 1976—when the Government freed bank interest rates—are even yet not fully grasped by all the country's bankers and economists.

It is suggested by the Chief Economist of the Bank of New South Wales, Mr. Rupert Dawe, that the monetary authorities themselves did not fully realise the radical significance of their actions.

In short, the new measures meant the overthrow of the cheap money policy that has dominated monetary thinking by successive New Zealand Governments since the mid 1930s.

Controlled low interest rates were introduced then to stimulate spending and production during the depression years. This policy was applied not only to trading banks but to all major financial institutions. Interest rates were controlled and kept at a low level in the belief that they allowed the general public to borrow cheaply and enabled Government to raise money for public works or other capital development at the lowest possible cost.

Although the low interest rates had merit in the depression years, New Zealand's bankers believe that in to-day's circumstances they create conditions which accelerate inflation. Indeed the very availability of "cheap" money encouraged the speculation development, while low interest rates encouraged people to spend instead of save. It became difficult for the banks, allowed to offer only low interest rates, to attract sufficient term deposits.

So, particularly during the past decade, New Zealand's trading banks saw their traditional role eroded by other financial organisations and non-banking operations which, because they could offer higher interest rates, attracted a large section of the available deposit money. This led to the development in New Zealand of an extremely active home mortgage market provided by solicitors at a fairly high interest rate.

Mortgage seekers and would-be home owners were compelled to borrow from solicitors or similar sources because of the shortage of mortgage money available from banks and recognised institutions. At the same time the New Zealand Government required banks to hold a substantial level of low interest-bearing Government securities. Although the public would not buy Government loan issues offering only a few per cent. interest, banks, savings banks, financial houses, insurance companies and building societies were—and are—legally obliged to hold a fixed percentage of Government securities.

This fixed ratio requirement gives the New Zealand Government considerable control over these institutions—a control which the Bankers' Association has described as "power without responsibility." However, over the past eight or ten years it has gradually become accepted by Government and official monetary authorities that a monetary policy based only on direct restraints over trading banks is inadequate since it results in the growth of a secondary uncontrolled credit market.

In 1976 the Government moved to lift controls on bank overdrafts and official interest rates and encouraged the banks to compete for larger deposits. The Government stock rates were also moved closer to market rates. Trading banks are now allowed to offer competitive rates for deposits of $12,000 or more. Controls on trading bank overdraft interest rates have also been abolished. Interest rates for any government or local body loan issue were increased by 1½ per cent. and lending rates for the Government-operated housing corporation and the rural bank were raised.

The freedom to go out into the market place and actively compete for deposits by offering attractive interest rates was a new freedom for most of New Zealand's bankers. It has taken some longer than others to adjust to the new competitive element, but all are now actively pursuing deposit money.

Part of the Government's stated objective in freeing interest rates was "to give greater rewards to savers." In addition to offering higher rates to compete with other banks for deposits over $12,000, the trading banks and savings banks have now moved their deposit rates for smaller deposits up to the maximum permitted by Government.

Attractive

To stay ahead non-banking finance houses have also increased their interest rates, but there is no doubt that the more attractive rates now available from banks, together with the security and stability offered by an established bank, have proved attractive to the prudent investor who might previously have been tempted to deal only with the finance houses.

As a result of their success in attracting more deposit money, banks have been able to make more funds available for house mortgages, and bank business in this area has moved up sharply over the past few months. Trading bank time deposits and savings bank investment accounts have also shot up and so has bank lending to business companies.

Although New Zealand bankers are extremely happy with developments since last year's innovations, they believe the New Zealand Government should go even further. Bankers object to the captive market the Government retains with its reserve asset ratio for Government securities.

When banks fall short of their required target of Government stock holdings, under the reserve asset ratio they are compelled to borrow the shortfall from the Reserve Bank at an extremely high interest rate. Recently there were one or two authenticated but reluctantly admitted situations where banks were in the Gilbertain situation of paying high interest rates—in some cases it was said 12 per cent.—for deposits which were in turn invested in Government stock earning only half this rate. This happened when banks were financing their holdings of Government securities out of term deposits. The banks concerned were quick to point out that this bizarre situation applied to only a fraction of the total deposits.

The Reserve Bank and the Government are confident that the revolutionary measures taken last year will, over a period of time, shift finance back into the banking system and away from direct lending which was developed at an unhealthy rate. They will also improve the quality of finance operations, with trading banks providing their solid reputation and standing to back monetary transactions.

This is a particularly sensitive area in New Zealand at the moment following the failure of a finance house — Securitibank — in which thousands of relatively small depositors had invested their savings. This, coming on top of the collapse of other investment groups such as JBL, has brought an atmosphere of uncertainty and anxiety to the New Zealand investment market. The trading banks with their long established reputation for safe and secure investments now appear a lot more attractive to many investors than they did a year or so ago.

Many small investors were tempted into these finance houses because they realised their savings were being eroded by inflation if deposited with orthodox banking, earning interest rates at only about half the current inflation rate. The extent to which this movement has slowed over the past eight months is reflected in the extent to which trading bank lending increased. Obviously with more deposits on their books banks had more money available to meet demand for credit loans. At Christmas the central authorities became concerned that bank lending was actually becoming too high in a time of acute financial strain, and banks were told to cut down. By February overdraft limits were down.

With the current tight liquidity situation in New Zealand, banks are required to give priority to export orientated industries or to the farming sector when allocating bank credit or finance accommodation. This situation is likely to remain for some time, as the future banking and economic scene suggests an even greater tightening of liquidity during the next few months.

New Zealand export earnings, which are running at a record level, are expected to slow down over the next 12 months. And the rapid rise in import prices has swallowed much of the gain from high export receipts. One reason trading banks were told to slow down their lending at the end of last year was to ensure they retained reasonable liquidity levels in the event of a levelling off of export earnings.

New Zealand trading bank reserve assets tend to fluctuate throughout the year because of the seasonal trading pattern of the New Zealand primary export market. Banks must build up their assets and hold sufficient reserves in hand to cope with the slow period for export receipts.

There has been a tremendous improvement in New Zealand's balance of payments situation over the past year, but the overall picture is still far from satisfactory. There is still a current account deficit of around $400m. Worrying though this deficit is, it looks much better when viewed against last year's deficit of about $700m.

Government has reduced Government spending substantially, although some of the cuts have been at the expense of capital works which cannot be delayed indefinitely. The Government has also managed to maintain wage restraint at a reasonable level although the recent 6 per cent. general wag increase for all wage earner has still to work its effects rig through the economy. This wi not help Government's efforts t reduce inflation—efforts whic have had some success, but n nearly as much as Governmen hoped for and earlier predicte The Budget, expected in Ma could again include some wag freeze provisions, as th Government battles to reduc the balance of payments prob lem.

Any improvements in th New Zealand economy over th next 12 months will largel depend on factors outside th country. One will be the worl price for beef and the exten to which New Zealand bee exports are allowed to compet for a share of the U.S. marke Predictions of a boom in bee prices are favourable, and th accuracy of these prediction will be of major concern to Ne Zealand.

Another factor will b whether import costs will con tinue rising at the same rat as last year or whether worl prices are starting to stabilise There are hopeful signs that th country's import bill will no increase as sharply as it ha been doing, although the unpre dictable oil price is a worryin factor for New Zealand's planners.

The word most likely to be heard in New Zealand banking and financial circles during the coming year is "restraint." Only by restraint will there be any possibility of achieving the hoped-for improvements in the New Zealand overall economic situation.

Dai Hayward
Wellington Correspondent

AUSTRALIA

Slow emergence from recession

THE AUSTRALIAN economy is demonstrating tentative signs of coming off the bottom of a three-year recession which is probably the most severe since the 1930s. The recently released December quarter national accounts contained some encouraging signs.

Gross Domestic Product rose by 4.6 per cent. in real terms for 1976, stocks increased for the fourth consecutive quarter on a seasonally adjusted basis, while private sector investment in plant and equipment, which has been at very depressed levels, increased by 18.4 per cent. in real terms. Gross operating profits of companies rose as much as 33.1 per cent. during 1976, while wages and salaries increased by 11.6 per cent., or less than the inflation rate.

This is a sharp reversal of the trend from 1973 to 1975 when the share of national income slumped significantly. So far the renewed investment spending has not made any dent in the high unemployment rate of between 5 and 6 per cent.

Available evidence suggests that much of the spending is aimed at replacing high-cost labour. However, a continuation of the profit-wage trend must improve the prospects of reducing unemployment levels.

But while the prospects are encouraging it could all come unstuck if inflationary pressures once again get out of hand. In this regard the Australian Government made its task much harder last November when it bowed to sectional interests and devalued the Australian dollar by a hefty 17.5 per cent. At the same time the mechanism by which the exchange rate is set was changed to what the Government describes as a "managed float." This brought about a series of rapid and bewildering upward adjustments soon after devaluation with the result that the effective level of devaluation is currently about 12.5 per cent.

To prevent too sudden an upsurge in capital inflow in the wake of the devaluation the Government imposed capital controls. It reintroduced the variable deposit requirement (VDR) under which a certain percentage of foreign borrowings must be dopsited interest-free with the Reserve Bank—Australia's central bank—thus increasing the effective cost of borrowing.

At the same time measures were introduced to reduce the ability to use "leads and lags" to speculate on the exchange rate. Although there was an initial surge as more than $A600m. flowed back into the country in December, this has now dried up, and the inflow for March was less than $A150m.

At best, however, the economic picture is patchy and the Government is clearly worried about its ability to keep the lid on inflationary pressures, particularly on the wages front.

A measure of this concern was demonstrated when the Federal Government hastily agreed in April to a proposal by the State Governments for a "voluntary" three-month wage-price freeze. Such a freeze would have to be voluntary because the Government does not have the constitutional powers to enforce it.

Despite lip service from some business groups the scheme seems destined to failure from the start. A significant number of trade unions have already made it plain they will not co-operate. Even if the freeze could be applied the record of similar experiments overseas suggests that they do not keep the inflation rate down.

The banks and financial intermediaries are feeling the effects of the Government's anti-inflationary measures. They are operating under tight monetary control. They fall short of a credit squeeze, such as that which brought the system to a near standstill in mid-1974 and resulted in several major corporate failures, but they are nevertheless quite restrictive.

The controls include siphoning a substantial portion of the trading banks' deposits off the Reserve Bank (since November almost $A700m. has been sucked out of the banking system by freezing bank deposits in special statutory reserve deposits (SRDs). Clamps have also been placed on the bank's ability to lend and for the first time other financial intermediaries have been warned to rein back on their rate of lending.

Significant

This latter trend is significant. The trading banks have for years operated under the umbrella of the Reserve Bank. The latter has the power to control the bank's rate of lending, policies liquidity ratios under a "voluntary" and long-standing agreement with the banks, and influences interest rates. In return the banks have lender of last resort recourse to the Reserve if it should ever prove necessary. Until recently the Reserve had no such powers over other areas of the financial market.

This has been a weakness in the system affecting the efficiency of official monetary policies. Whenever the squeeze is vigorously applied to the banks, the segments of the financial community untrammelled by controls have taken up the running. This has led to a much faster rate of growth for what might be termed the "unofficial" segments of the market. The finance companies in particular have grown at a much more rapid pace than the banks in recent years.

Faced with this trend the banks themselves have side-stepped the controls by buying into the financiers. All the major trading banks now have finance company subsidiaries. In most cases they are wholly owned and are among the leading finance companies. For instance, the largest financier in the country, Australian Guarantee Corporation, is controlled by the Bank of New South Wales, the largest of the private trading banks. Since 1975, however, with the passing of the Financial Corporations Act, the reserve has had the power to control the other financial intermediaries.

It can now control lending policies, set liquidity ratios and even dictate interest rates. Until recently the Reserve had taken no steps to use its muscle, trusting that the fear of official controls would keep the other segments of the financial market in line. Late last year representatives of the finance companies, savings banks, building societies and merchant banks were "invited" to the Reserve where they were told their lending rate was well above acceptable levels. The representatives were left in little doubt that if they failed to co-operate the Reserve would clamp official direct controls on them. The threat has worked and the financiers have reined back on their lending activities.

The banks themselves have been told to restrict their new overdraft lending to a maximum of $A90m. a week. Moreover, for the first time the Reserve has also warned the banks it is keeping an eye on the level of commercial bills they accept. Normally when the overdraft door is closed the banks extend credit through acceptance of bills. Until now this action has never been queried. The result is that liquidity is likely to be tight during the seasonal liquidity rundown between April-May as company and provisional tax payments are made.

Many observers, including some of the banks, are worried that unless care is taken credit will tighten too severely creating problems. The situation is one where fine tuning is likely to be needed and despite the reluctance of the authorities, it seems likely that the Reserve will again have to resort to feeding funds into the system on occasions by purchasing commercial bills from the market.

While the banks have managed well so far the lending curbs will obviously retard their potential profit growth. Up to now the demand for funds has been so weak that the banks have not been seriously inconvenienced. But with the signs of an improvement in the economy has come an increase in demand for funds, and the banks are now being forced to turn business away. In the past the finance companies picked u

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CANADA

More competition ahead

BANKING IN Canada is soon to undergo big changes through the decennial revision of the Bank Act which was scheduled to become law by June 30, but which has already been postponed until the end of this year and is now thought likely to be delayed until the middle of 1978 or perhaps a little later. The White Paper on banking legislation tabled in Parliament last August proposes a number of changes that have the stated objective of strengthening the financial system by promoting effective and equitable competition.

If the view of William Kennett — who is expected to be appointed Inspector-General of Banks later this year when the present incumbent retires —is right then competition will indeed be created. He believes that as many as 35 new banks could be operating in Canada within five years after the revised Act goes into force; by far the bulk of these will be subsidiaries of foreign banks.

At present there are 12 chartered banks operating in Canada and four of those have begun operations within the past ten years. However, the fact that the door to the establishment of new banks will be easier to open will not necessarily prove detrimental to the already established banks. Indeed the changes may well strengthen the position of the big five Canadian banks, which control 80 per cent. of bank assets in the country.

It is less evident that the broadening of bank powers — while the powers of the near-banks such as trust companies, credit unions and *caisses populaires* continue to be restricted—will lead to effective and equitable competition. Instead the White Paper proposals seem designed to encourage the concentration of financial power.

The banks would be empowered to engage in, for example, financial leasing and factoring, activities they now engage in a limited way through subsidiaries. The limits on bank investments in housing, now the main prerogative of the trust companies, would be removed, and they would be given greater flexibility in the forms and methods of raising additional capital.

In a few areas the banks would be subject to new restrictions. They would lose their power to underwrite corporate securities or to act as agents in the private placement of corporate securities. They would not be given—nor do they want —trustee powers.

Revisions

By and large the revisions are quite acceptable to the federally chartered banks, but much less acceptable to the near-banks, most of which are provincially chartered. Trust company officials argue that the White Paper proposes to regulate non-bank financial institutions as though they were chartered banks, yet at the same time the non-banks would be prevented from competing fully with the chartered banks by a number of restrictions. For instance, it is proposed to bring the trust companies under the reserves system that at present covers only the banks.

Direct manipulation of the required reserves is one of the principle tools available to the Bank of Canada to achieve its monetary targets. Gerald Bouey, Governor of the Bank of Canada, has made several complaints that he fears a weakening of his grip over monetary policy because of the growth of non-bank financial institutions; this includes the foreign banks which already have a large presence in Canada through agents on representative offices. It has been suggested that the easier the access to the banking system and the more banks the country has, the greater the risk Canada runs of having a bank failure.

But Mr. Kennett does not buy this line of reasoning. Most of the new banks will be subsidiaries of foreign banks and if a subsidiary gets into trouble the foreign parent would be expected to stand behind its subsidiary. In addition, with new banks to be established by letters patent — as opposed to the present chartering process which requires Acts of Parliament—the Inspector-General's office will be very careful and thorough in its scrutiny of the applications for letters patent.

There is also the fact that the Inspector General's office through its research division functions as a type of early warning system by analysing the bank data the office collects. If a bank looks like getting into trouble, the system should alert the office to the danger and appropriate corrective steps suggested, which could include the suggestion that the bank seek a merger.

The reason why foreign banks would be allowed easier entry into the Canadian banking system is that many — it has been suggested there could be 200—are now briskly doing business to an unknown extent. Under the White Paper proposals they will be required to make themselves known to the authorities and come under Canadian regulation. If they are going to function as banks at least half their Boards of directors must be Canadian citizens, the amount of business they can do will be limited to 15 per cent. of total commercial lending in Canada, and they will have to submit to a number of other restrictions.

The Government is counting on foreign banks to introduce the elements of competition and innovation now felt by some observers to be lacking on the Canadian banking scene. Foreign banks that bring along the know-how of their foreign parents have already demonstrated a will — not always visible in the domestic banks — to serve the public. It is significant too that foreign banks entering the Canadian System will be subject to the Banks Act and not to the Foreign Investment Review Act with its nationalist overtones.

The established Canadian banks do not on the whole fear the entry of foreign banks. Rather do they welcome such a change since they believe they would receive reciprocal rights in other countries from which they presently are barred. The big five Canadian banks are very active in the international market. Their foreign business growth has followed four phases of international market developments culminating with petro-dollar re-cycling and the balance of payments financing of less affluent countries. However, they have been careful about their foreign asset growth. As a group they have held their foreign assets to about 30 per cent. of total assets and this is not expected to change much in the near future.

Profitable

Foreign asset growth turned profitable in the three years ended in 1976. This was because of several factors stemming from expensive money, record interest spreads in favour of the U.S., the need to adjust prices to compensate for higher risks and the need to earn more income so as to retain higher profits in order to maintain adequate shareholders' capital. Rather than keep all the income advantages resulting from the growth in foreign income in the corporate treasury, the big five Canadian banks chose to pass on a part of the higher profit margins earned abroad to Canadian consumers through lower service costs, and invest the rest in long-term growth. This strategy is expected to end soon as a decline in foreign profit margins to the more realistic levels prevailing in the years 1971 to 1973 is expected.

Some investors appear to challenge the quality of foreign earnings owing to the higher risk of loan losses from such business. Such losses could arise normally from foreign exchange trading, loans for property and oil tankers and loans given to Eastern European countries and less developed non-oil-exporting countries. However, Canadian banks as a rule do not trade currencies on their own account. And the danger posed by real estate loans, especially those made to U.S. real estate investment trusts and some property companies in Britain, has been more or less adequately provided for during the past two years. This is true too of loans to finance oil tankers.

The same cannot be said of foreign loans made to Eastern European countries and non-oil-exporting, less-developed countries, but the danger is of a totally different magnitude. Loans to Eastern Europe are in no danger of default, but carry with them the political risk of non-payment in the event of an international emergency. However, loan defaults already have occurred in such countries as Zaire, Zambia, South Korea, Indonesia and Mexico. From some disclosures that have been made and from the known market share of the Canadian banks, the risk exposure is calculated at less than 1 per cent. of the total foreign currency loans made to Eastern Europe and the less developed countries. Canadian banks may therefore be said to have exercised extreme prudence in making foreign loans and the risk of default is small.

James Scott
Toronto Correspondent

IRELAND

Under the public spur

WITH ALL the wary caution that is expected of bankers, Barclays Bank International is "exploring" the possibility of extending its operations into Ireland. What form this expansion would take is still far from clear and unlikely to emerge until later this year, but it is a prospect that must already be intriguing the Irish banking community.

For banking in Ireland is in an uncertain state. The future of the "Big Four" associated banks—Bank of Ireland, Ulster Bank (a NatWest subsidiary), Northern Bank (Midland), and Allied Irish Banks—and their retention of an interest rates cartel is under scrutiny. So, too, is their conservative attitude to the financing of industrial development in a country with pressing unemployment problems.

The catalyst was last summer's two-month bank strike. The dispute stemmed from the powerful Irish Bank Officials' Association's (IBOA) refusal to accept the terms of the 1976 national pay agreement, because the deal had been negotiated by the Irish Congress of Trade Unions, of which the IBOA is not a member. On a jolly and popular newspaper level, the prolonged closure of the clearing banks brought barter back to rural Ireland and cheques circulated as currency. More important though, the strike pushed corporate and personal business into the arms of Ireland's non-associated banks—the merchant and foreign banking operations that have been set up in Dublin since the mid-sixties.

The Irish found that the associated clearing banks were important but not necessarily crucial to the banking system. The questions that realisation has prompted have produced a spate of suggestions, ranging from the possibility of a U.K.-style Giro to the need for increased competition on interest rates between the main banks. For their part the associated banks seem to have read the writing on the wall and are beginning to put forward schemes that will silence criticism of their disinterest in industrial development.

The Bank of Ireland, which incidentally reckons it suffered a permanent loss in market share due to the bank strike, is planning a new departure; although it has not yet officially announced its decision, it is to take a direct equity participation in a new industrial project. This is understood to be a joint venture between P. J. Carroll, the Irish cigarette manufacturers and the U.S. textiles group Fieldcrest Mills, and involves a $50m. towelling plant near Kilkenny.

Similarly, Allied Irish Banks recently revealed a plan for a £10m. trust that will provide funding for Irish companies that are too small to participate in joint venture schemes with foreign investors. The Irish State will have a minority stake and Irish industry will be invited to invest in the development trust.

Because of the interlocking monopolies of the four associated banks and the 15,000-member IBOA bank employees' organisation, the former on clearing banking and the latter on jobs in those banks, intervention by the central bank would be needed to change the present system. It is something the central bank is apparently loath to do, arguing that Ireland is already "over-banked" and that to allow non-associated banks to open up in Ireland's High Streets would increase the total cost of the banking system and ultimately the customer would have to foot the bill. The alternative, though, is that Ireland's four clearing banks will remain strike-prone until their monopoly is broken.

Prised

There is in fact one associated bank that could be prised loose from the cartel. Ireland's agricultural co-operatives represent the Republic's largest business sector and during the bank strike there was much discussion inside the farming community of setting up a farmers' bank. Of late this talk has begun to crystallise around the possibility of the farmers buying a 30 per cent. equity stake, the highest the central bank allows, in Allied Irish Banks (AIB) for £7.5m.

AIB's widely dispersed equity base would give the farmers control and there seems little doubt that they would insist on preferential interest rates unrelated to those of the other three associated banks.

It is the non-associated banking sector, however, that will probably show the most change and development over the next few years. Although the associated banks' deposits doubled from 1971-76, chiefly because of public rather than private sector demand, they now represent a steadily declining share of total bank resources in Ireland.

The Irish Republic's economic problems over the next two decades are certain to be extremely serious, chiefly because of a population growth no longer offset by emigration which is creating a massive jobs crisis. An impossible annual GNP growth rate over the next ten years would be required to reduce to a structural 4 per cent. Ireland's high joblessness—officially 12 per cent. and top of the EEC league, and unofficially more like 18 per cent. when school-leavers and would-be working women are taken into account.

It may well be that Ireland will never achieve a serious breakthrough in tackling the problem, but even if it falls far short of its targets manufacturing industry is set for a major expansion. If Ireland is to create the necessary 30,000 new jobs a year, industry would need to invest £1bn. annually over the next ten years, or twice as much as at present. For the foreign banks which originally flooded into Dublin to service the Republic's foreign investment boom before the recession, and which since 1973 have had to watch economic activity slow to a crawl, the next few years should see a substantial upturn in business.

Much will depend on foreign investment, in which the U.S. and European banks operating in Ireland are poised to participate. Yet already there are signs that the Irish are becoming concerned at the proportion of Irish industry that will be foreign-owned.

The associated banks have increasingly strengthened their investment in banking operations, and in the process have loosened the London merchant banks' grip on that market in Ireland, and they are now being looked to as having the necessary financial muscle to stave off unwanted foreign takeovers. By the same token, unless they play a major role in encouraging domestic expansion a steadily smaller proportion of the Republic's industrial base will be Irish-owned.

Giles Merritt
Dublin Correspondent

AUSTRALIA

CONTINUED FROM PREVIOUS PAGE

most of the slack, and as the banks all have finance company subsidiaries, they picked up on the roundabout what they lost on the swings.

As for the merchant banks, the past 12 months have not been encouraging. With the economy depressed, corporate demand for funds has been almost non-existent and underwriting opportunities limited. There has been some takeover activity but the business has largely been limited to a few of the merchant banks specialising in this area.

Those merchant banks with money market operations have also been hit by a rise in interest rates over the past few months. Rates are unlikely to come back until the inflation rate can be seen to have fallen. There is no sign yet of that occurring.

The evidence to date suggests that last year's devaluation has added to inflation but has not yet had any beneficial impact on exports or import-competitive industries. In fact imports exceeded exports in February and March, which together with a soaring invisibles bill—exacerbated by the devaluation—and reduced capital inflow has led to a small deficit in the balance of payments for the first nine months of 1976-77.

While it is still too early to establish a definite trend the figures are disappointing for the Government. If this trend persisted it would almost certainly lead to pressure for a further devaluation within the next 12 months or so.

James Forth

A growing regional role

HONG KONG's commercial banks have continued to be characterised by a high degree of liquidity and rapid deposit growth. The situation had reached such a pass by mid-April that the Hongkong and Shanghai bank took the almost unprecedented step of breaking ranks with its fellow-members of the Exchange Banks Association, the grouping of larger banks which effectively sets interest rates in the territory. It unilaterally slashed a further three quarters per cent. off minimum best lending rate and lowered deposit rates. Most banks were forced unwillingly to follow suit in reducing minimum lending rate—though it is clear that many had already been undercutting the official rate for several months. Not all, however, cut deposit rates equally.

The best lending rate is now a mere 4.75 per cent., while Hongkong Bank deposit rates range from 1.75 per cent. for savings deposits and three-months money up to 3 per cent. for 12 months. These rates are astonishingly low even by local standards.

They stem in part from a failure of loan demand for the second year in succession to keep abreast of deposit growth, and from a desire on the part of the Hongkong Bank, responding to pressure from government and industry, to try and halt the upward movement of the Hong Kong dollar by dissuading the inflow of funds into local banks. Those who oppose the Hongkong Bank's latest move have, however, argued that it is no function of the major bank to try to use interest rate levels for macro-economic purposes, and that if the Government wishes to do so itself it should organise a monetary authority rather than leave the matter in the hands of a private bank which has its own particular interests to pursue.

There are suggestions from other bankers that while all profit margins will be hurt by the latest reductions, the manneuvre could help both the Hongkong Bank and its subsidiaries, which control some 50 per cent. of local deposits, by squeezing foreign banks which fund themselves to a considerable extent from the interbank market. The margin between six-month interbank money and best lending rate is now less than one per cent.

Worried

The rise of the Hong Kong dollar has certainly got manufacturers worried about their margins. Over the past six months the currency has appreciated by some 4.5 per cent. against the U.S. dollar. However, the rise against a trade weight basket has been closer to 3 per cent. Forward cover is also available—cheaply as it has turned out—as forward rates have only partly anticipated the rise.

The most recent strength of the Hong Kong currency has indeed come as something of a surprise in view of the higher rate of inflation expected this year—compared with about 3 per cent. last year—and an expected deterioration in the trade balance. Last year's visible trade deficit was only HK$1.79bn., indicating a very substantial current account surplus—no actual figures are available.

This year the deficit is almost certain to be back over the HK$3.8bn. level. Hong Kong has been the subject of some "hot money" flows recently. But last year there was probably a substantial net capital outflow, partly offsetting the current surplus and thus preventing the Hong Kong dollar from soaring too high.

Whether the low levels of interest now prevailing will in fact prompt either a decline in savings or a sharp upswing in borrowing is difficult to judge. But savings rates in Hong Kong seem more influenced by marginal levels of employment and income than by interest rates. Meanwhile, consumer spending seems not to have picked up anything like as fast as incomes as a certain caution still exists here as elsewhere.

As a result of these circumstances the propensity to save has been clearly demonstrated by the savings deposits of the banks. Though since last August they have only been paying 1.75 per cent. (free, however, of interest tax of 15 per cent.) savings deposits rose by 27.5 per cent. between February 1976 and February 1977. Demand deposits rose only 14 per cent., while time deposits increased 21.5 per cent. Overall deposits increased 20.7 per cent. to HK$45.3bn. Meanwhile loans and advances in Hong Kong increased by only 18.9 per cent. to HK$30.8bn., thus reducing the loans to deposits ratio to 68 per cent.

However, official average liquidity figures during the past year have fallen slowly but steadily from a high of 50.2 per cent. in February 1976 to 43.9 per cent. a year later.

This discrepancy needs explanation. It is found in the fact that domestic deposits account for only 55 per cent. of the total liabilities of Hong Kong banks. Much of the remainder is amounts due to banks abroad—$HK28.4bn. at the end of February—and their counterpart in amounts due from banks overseas and loans made overseas. These are largely not Hong Kong dollar items and therefore do not reflect the degree of domestic liquidity.

At the same time they grew very rapidly between 1973 and mid-1976, since when their growth has noticeably slackened. As these transactions are primarily inter-bank and thus mostly count as liquid assets, when they are growing more rapidly than domestic deposits and loans they tend to suggest a more rapid growth of liquidity, judged by solely domestic conditions, than is really the case—and vice versa. Thus over the past year the official liquidity ratio has fallen while the ratio of domestic loans to deposits has also fallen.

The offshore element in Hong Kong's banking statistics underlines the very rapid growth in Hong Kong's regional role, notwithstanding the fact that the "official" Asiadollar market is in Singapore and that deposits in Hong Kong banks—as distinct from borrowings from sources oversea—are subject to interest tax.

The official figures are also just the tip of an almost certainly greater volume of this business, which is conducted by international banks with finance company subsidiaries in Hong Kong, or organised from Hong Kong but routed through entirely offshore accounts in such places as Vila (New Hebrides). This whole field is something of a grey area, but represents Hong Hong's peculiar but pragmatic response to offshore banking. The profits on these operations are not in practice regarded as being subject to tax in Hong Kong.

However, an Inland Revenue review committee recently came up with the recommendation to close the loophole whereby profits from business effectively organised from Hong Kong is deemed to be brought within the tax net. This would include banking. While it is not intended to make a general extension of profits tax to external earnings, the committee proposed an "intermediate" category of tax on "part of the profit" arising from business "actively exercised in Hong Kong" and where the profit was "not substantially caused by the action of a branch outside Hong Kong."

Various

Bankers have reacted in various ways to these proposals. Some suggest that it is only fair that they should pay some tax. Others respond that they could well move their operations elsewhere. Others again suggest that by devising more complex routes the tax could be avoided anyway—in the same way as applies to Hong Kong-based shipping investment companies. However, no one is particularly worried about the situation.

The proposal has been very heavily criticised both on grounds of its impact on service industries operating from Hong Kong, and the very great difficulties in the way of translating the proposal into legislation. So the betting is that nothing will happen; nor are banks taking too seriously another committee suggestion that interest tax be levied on the foreign borrowings of Hong Kong companies where such funds are used locally. The biggest sufferer from such a proposal would be the quasi-Government Mass Transit Railway Corporation.

As for the local banks, which had moderate to excellent profit gains last year—rising as high as 30 per cent. in the case of Hang Seng—continued growth in deposit and other business should more than offset the earnings losses caused by falling interest rates. In the longer run, however, they will need to remain aware of the challenge of the finance companies which do not face the liquidity requirements demanded of licensed banks. The banks have again been complaining of this "unfair" treatment—though they are unlikely to attract much sympathy while the present ceiling on bank licences remains.

Another slight threat is that the Communist banks, which have long tended to appear rather archaic in their mode of operation, are to link themselves together on a computer network. This will give them, as a body, a substantial linked branch network and more efficient servicing of accounts. It may spur them to a more aggressive search for deposits. However, under the powerful wing of the Hongkong Bank it is overall unlikely that anything very drastic will happen to impair the high profitability of banking in Hong Kong.

Philip Bowring
Hong Kong Correspondent

TURKEY

Election key to economic stability

AN EARLY general election is to be held in Turkey on June 5 next, the result of which will determine whether the political instability in Turkey which has continued more or less since 1969 will come to an end or persist.

There is a strong possibility that Mr. Bulent Ecevit's Social Democratic Republican People's Party (RPP), the biggest in Parliament, may come to power alone or come close to it. The huge crowds which are attending Mr. Ecevit's rallies, and polls issued by several national dailies indicate that the RPP will improve on its 33.3 per cent. share of the poll in the previous election in 1973. To what extent, however, it is not possible to say.

To come to power alone Mr. Ecevit will have to win at least 41 more National Assembly seats than he did in the previous election. This would correspond to 10 per cent. of the 450 Assembly seats and be a sizeable but difficult gain.

The Right-wing vote, unlike the solid Left, is split among about half-a-dozen small and big parties. The split is expected to continue, making it impossible for any party on the Right to win an outright majority.

The election was brought forward by four months to June through an understanding between Mr. Ecevit and Mr. Suleyman Demirel, the Right-wing Prime Minister. Mr. Demirel did not wish to prolong his four-party coalition because of growing problems with his principal partner, Mr. Necmettin Erbakan, of the pro-Islamic National Salvation Party (NSP).

The news of the general election was generally welcomed both at home and abroad. Mr. Demirel's "Nationalist Front" Government could not cope with the pressing domestic and international issues because it was insecure, inconsistent and split with internal rivalry.

The U.S., Greece, Cyprus and the Common Market, all of which have serious outstanding problems with Turkey, have long been waiting for a strong government with a durable mandate in Ankara so that settlements could be negotiated.

At home, too, there are difficult problems. Probably the most urgent of them is the war between extreme Left- and Right-wing students which has all but paralysed higher education in the current academic year. In two years of the Demirel administration over 150 people were killed, more than 100 of them students, and 3,500 wounded. Thousands of students will not be able to go through classes because the majority of the schools have been shut to prevent bloodshed. There is strong evidence to suggest that the youth branch of Deputy Prime Minister Alparslan Turkes' neo-Fascist Nationalist Action Party (NAP) are the chief perpetrators of violence.

The killings continue unabated and there are fears that the violence may spread to the political campaigning which should get under way at the beginning of June.

The economy is continuing to display signs of vitality: GNP grew by an impressive 7.2 per cent. last year, according to the latest official estimates. The structural problems, however, persisted and some of them were aggravated. Inflation continued to average around 20 per cent. for the sixth painful year running and unemployment approached the 3m. mark.

Exports last year were $1.96bn., nearly 40 per cent. higher than the previous year but about 7 per cent. below the target. Imports grew by 8 per cent., reaching $5.13bn., slightly above the target. The current account deficit was $3.17bn., 5 per cent. lower than in 1975.

Vital

Expatriate remittances, which constitute a vital source of hard cash, continued their decline, dropping $982.7m., a decrease of 25 per cent. over the previous year.

A drop occurred in the gold and foreign currency reserves as well. These fell from $1.7bn. to $991m. in 1976. The decline continues. At the beginning of April the reserves stood at $645m.

According to the figures of the Central Bank, banknote issues grew by 27.2 per cent. in 1976 compared with 1975 to reach £T52.6bn. ($3bn.) at the end of the year. In monetary terms the increase was equal to $638m. This upsurge was attributed to the bumper harvest which necessitated bigger funds to be expended by government agencies in the purchase of agricultural products. In the last three months of the year the Central Bank took measures to check the increase and said it was taking measures to prevent "extreme increases" in the banknote circulation this year.

Central Bank credits in 1976 increased by 77 per cent. compared with the previous year to reach the equivalent of $5.53bn. Deposits grew by 21.2 per cent. to the equivalent of $5.56bn.

Bank credits grew by 33 per cent. to become the equivalent of $10.57bn. In the previous year the growth had been a faster 45 per cent. Deposits, too, were slower in growing but went up by 23 per cent. to the equivalent of $9.33bn.

Barring dramatic developments, this year is expected to be similar to last. The inflation rate is expected to average around 20 per cent. and the unemployment rate to rise a little. Reserves will remain low, forcing the Government to keep the lid on imports (programmed at $5.8bn. this year) and export earnings (programmed $2.50bn.) are not expected to go up significantly. The question will be whether the Government will be able to secure the foreign credits necessary to finance the ambitious industrial development programme.

Turkey's external debt repayable in foreign exchange, excluding the deposits in the convertible Turkish lira deposit accounts, at the beginning of this year was about $4.4bn. including unutilised debts, the central bank said. The ratio of external debt to GNP was 10.6 per cent., and the debt service ratio 11.9 per cent. Both the bank and Prime Minister Demirel are confident that Turkey can (and should) borrow more money abroad.

Starting from the beginning of April the Government introduced a new system in order to attract medium-term credit from abroad. The system is an amendment of the convertible Turkish lira deposit account system, through which Turkish banks have been securing Eurocurrency loans for the use of Turkish private sector.

Under the new system a changeable method is introduced. The spread increases with the term of the deposit and ranges between ¾ per cent. for a loan of three months' maturity to 2½ per cent. for a six-month maturity. Previously the spread was constant at 1.75 per cent. regardless of the term. The central bank is confident that the new system will shift the structure of the deposits from the dominantly short-term to the medium.

Turkey's general economic prospects for this and following years are very closely related to the outcome of the general election next June. If Mr. Ecevit wins, Turkey will have a Social Democratic Government for the first time ever and fundamental changes of policy should be awaited. If he does not, a coalition will have to be formed and if past experience is anything to go by instability will continue. Whatever the outcome an interesting period should ensue.

Metin Munir
Ankara Correspondent

Why Japan is still dependent on exports

By CHARLES SMITH, Far East Editor

WHEN MR. TAKEO FUKUDA, the Prime Minister of Japan, stands up to speak at next month's London economic summit his main object will be to convince his fellow heads of state that Japan is doing its bit in helping to pull the world economy out of recession. Mr. Fukuda will dwell on his country's 6.7 per cent. GNP growth target for the current fiscal year, which he will point out is higher than that of any other major OECD nation. He will also stress the efforts being made to meet the target (heavy public works expenditure allocations in the Budget, progressive reductions of bank rate, etc.). By doing these things Mr. Fukuda will hope to convince the rest of the world that Japan is not simply making its living these days by flooding other people's markets with its cheap and excellent manufactured products.

Mr. Fukuda, though not at all popular inside Japan, is probably about the best international spokesman his country could have at the moment. He has been in charge of Japan's economic policy in one capacity or another for the past three years, so he should know what he is talking about. He is more outward looking than most Japanese conservative politicians (who in general are notoriously parochial). Yet he also, as a former bureaucrat, understands the tortuous workings of Japanese bureaucracy and thus knows better than his predecessor, Mr. Takeo Miki, what can and cannot be done to meet the economic demands of the outside world.

With qualifications like these Mr. Fukuda will deserve a careful hearing in London—but he will not necessarily deserve to be believed. The crux of Japan's case for demanding understanding and tolerance from its trading partners is, in fact, also the weakest part. Without another year of spectacular export growth, which the rest of the world now seems highly unwilling to accept, it almost certainly cannot achieve the 6.7 per cent. growth target that Mr. Fukuda will be proudly unveiling at the London summit.

On the face of it 6.7 per cent. does not appear too unreasonable a target for a fiscal year which has only just begun and which will follow the successful achievement in fiscal 1976 of a 5.6 per cent. growth target (the final figures are not out yet but it looks as if the 1976 figure is almost, if not quite, in the bag). A closer look at the situation, however, reveals a number of problems. Japan started its 1976 fiscal year from a highly advantageous position, mainly because the quarter immediately before had been one of extremely rapid growth (3.2 per cent. on a quarter-to-quarter basis or around 13 per cent. at an annual rate).

FACTORS CONTRIBUTING TO JAPAN'S REAL ECONOMIC GROWTH RATE IN CALENDAR 1976

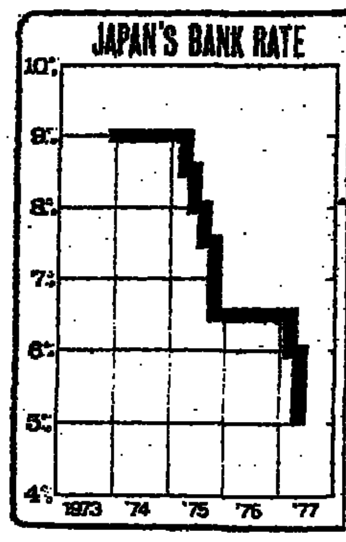
	%*
Private consumption	+ 37.8
Housing	− 11.8
Private investment	+ 4.2
Private inventory accumulation	+ 5.7
Government consumption	+ 6.0
Public works	+ 8.5
Government inventories	− 1.0
Net surplus on trade	+ 27.0

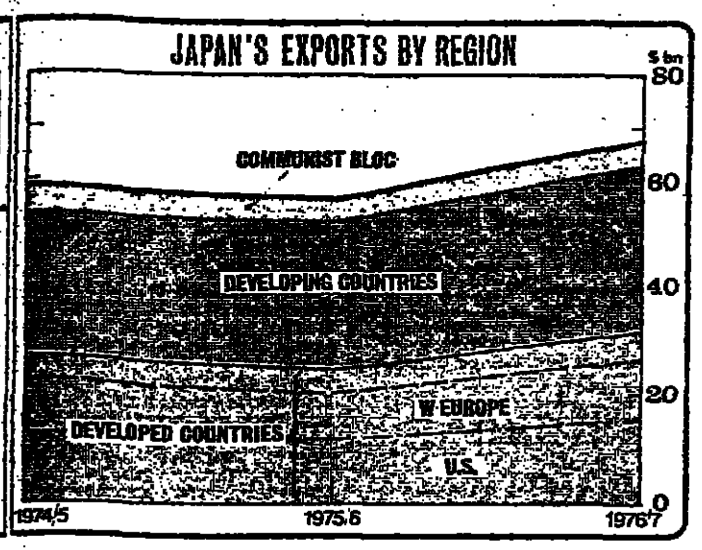
Real growth for the calendar year was 6.3 per cent.

** Percentages are for the contribution of each sector to the growth of GNP, not the share of each sector in GNP.*

Because of the "carry-over" of growth from the previous year it was possible for the economy to grow quite slowly during 1976 itself and still achieve the targets set by the authorities—and this is precisely what happened. After the initial burst in the first three months of the calendar year the GNP settled down to grow by 1.3 per cent. in the second quarter of 1976 and 0.4 and 0.6 per cent. in the third and fourth quarters of the year. A recovery of around 1.5 per cent. in the January-March quarter will be needed to fulfil the target for the whole of fiscal 1976. If that is achieved — and the recent strength of exports means that it easily may be—average quarter-to-quarter growth for the year will have been just under 1 per cent.

For the fiscal year which has just started the picture looks very different. This year's carry-over of growth from the previous year is quite small so more growth will be needed during the year itself to reach Mr. Fukuda's target—to be precise the economy will have to grow at a rate of 1.9 per cent. per quarter. The worries start when one looks at the factors which contribute to growth in Japan because none of them, with the outstanding exception of exports, have been particularly strong in recent months and none seem to be poised for significant recovery in the near future.





Gradually

Consumer spending is edging up extremely gradually—a fact which is perhaps hardly surprising when one notes that for the second year running Japanese wage earners have been awarded basic increases somewhere near to the 9.3 per cent. year to year rise in the cost of living. Private capital investment is also slack, indeed much slacker than the Government expected it to be when it drew up its master plan for the 1977 fiscal year.

The Government's strategy for the current year is to try to keep the economy moving ahead by stepping up expenditure on public works and to put businessmen into a rather more expansive mood by cutting interest rates. The fiscal 1977 budget, which was 17 per cent. larger overall than its predecessor, included a 21.4 per cent. increase in the appropriation for public works spending of which, it has now been decided, no less than 73 per cent. will be spent during the first half of the fiscal year (in other words by the end of September).

All this should help a bit, but subject to two major limitations. One of these is the fairly small share of public expenditure in Japan's total GNP. The other involves the existence of severe restraints on the Budget itself. The budgetary problem is that Government revenue will only be sufficient, this year, to cover 70 per cent. of total expenditure. The remaining 30 per cent. is being supplied by revenue raised from Government bond issues including special deficit covering bonds whose issue has to be sanctioned by time-consuming legislation in the Diet.

If Mr. Fukuda is lucky (and he has the reputation of being a determined optimist) higher public works spending will give the economy a boost during the next three or four months, businessmen will be put into a more optimistic frame of mind, and by the autumn enough impetus will have been generated to keep the economy growing through the year at a rate of between 1.5 per cent and 2 per cent. for each quarter. If he is unlucky the economy will show some temporary signs of life during the next few months and then relapse into renewed torpor as it has done during the second half of each of the past two years.

The second of these two alternative scenarios would mean that Japan had failed once again to break through the vicious circle of low company profits, insufficient tax revenues and depressed consumer demand which have been holding back its recovery for the past three years. But an economic relapse towards the end of this year would not just be a repetition of the previous pattern. It could bring with it a severe intensification of two types of problem which Japan has so far just managed to keep within bounds but which could get out of hand.

One is the existence of some very serious "soft spots" in Japanese industry where profit levels are far below the national average and financial weaknesses are becoming apparent. The other is the pressure of Japanese goods on overseas markets.

The overall profitability of Japanese industry during its latest six months business term (ending March 31st, 1977) is thought to have been about 75 per cent. in nominal terms, of the peak level reached at the height of the pre-oil crisis boom in 1973. This indicates that Japanese business as a whole has a considerable way to go before recovering its normal state of health but is at least doing much better than a year and a half ago when profits were running at less than 20 per cent. of the 1973 peak.

The picture looks far less reassuring if one analyses profitability on an industry-by-industry basis. It then becomes apparent that some Japanese industries, notably top exporters such as cars and consumer electronics, have been doing extremely well during the last year or so, while some others such as textiles and non-ferrous metals and some portions of the steel industry have been doing very badly indeed.

When Japanese companies find domestic demand for their products running low they tend to transfer their energies to exports with an intensity that alarms and surprises their competitors in the West. This is, of course, what happened during 1976 when Japanese export earnings rose 24 per cent. and the net surplus on trade accounted for no less than 27 per cent. of the rise in the GNP. The Government is forecasting that exports in 1977 (fiscal, not calendar) will grow at only 12 per cent. and that Japan's trade surplus for the year will reach a "modest" $7.3bn. compared with last year's $11.18bn.

It would like to believe that this forecast will come true as a result of improved domestic demand for Japanese products and a consequent relaxation of the pressures on industry to export. The reality, however, would seem to be that Japanese industry will still need to export very aggressively during 1977 but will be faced with much greater sales problems than it experienced in 1976. These problems will take the form partly of barriers, either psychological or actual, raised against Japanese goods in Europe and the U.S. (where the Japanese feel that the Carter administration is turning out to be much more protectionist than its predecessor) and partly of a reduction of Japan's own competitive edge in world trade caused by the strengthening of the yen.

Joker

The yen exchange rate is the joker in the pack with which Mr. Fukuda is trying to play his very difficult hand. The hardening of the rate against the dollar by about 8 per cent. since the end of last year has had the effect of soothing American feelings about the size of last year's Japan-U.S. trade imbalance and taking some of the edge off recent demands for protection against Japanese imports.

A strong yen will also be an asset at the London summit, if only because it will save Japan from one line of attack—the line which alleges that it promotes exports by keeping its currency undervalued. On the other hand the yen rate is beginning to cause serious problems for some Japanese industries which could sell abroad at a profit when the rate was $1 to Y290 but are obliged either to raise their prices sharply or to accept an exchange loss when the rate is Y270.

Mr. Fukuda has the option of letting the yen stay where it is and arranging some form of special assistance for industries (such as the smaller steel producers) for whom a combination of shrinking home sales and unprofitable exports threatens to spell disaster, or of trying to nudge the rate down again by discreet central bank intervention once the London summit is over. The Japanese need no lessons from anyone in tactical manoeuvres of this kind and Mr. Fukuda can be counted on to judge the options accurately. What they do need is a lesson in how to put some life back into their flagging domestic economy.

Letters to the Editor

Sterling and trade

From Mr. Bryan Gould, MP.

Sir,—Samuel Brittan argues (April 7) that the pound has fallen faster than is required to maintain our competitiveness, and that we could benefit from a substantial revaluation. He arrives at this view by showing that sterling has fallen further since the end of 1972 than the decline in relative domestic purchasing power over the same period.

This comparison is misleading for at least three reasons. It takes as its starting point a high point of uncompetitiveness following the Bank of England's action in 1972 in forcing up the sterling rate at a time when our costs were rising faster than those of our competitors. It takes no account of the effect of tariff changes on the terms of trade, including particularly the loss of preferences in the Commonwealth and EFTA following EEC membership and our vulnerability to imports from the EEC as our own tariffs have been reduced. It assumes that domestic prices in general are an appropriate basis on which to measure international competitiveness; the only reliable indicator is the comparative prices of those goods which are internationally traded.

The index of Competitiveness, based on the export prices of manufactures expressed in dollar terms, shows a rather different picture. Our exports are now less competitive than at any time since 1972, and it is presumably the belated recognition of this fact which accounts for the disappearance of export-led growth from the Government's economic forecasts. The Treasury now forecasts a declining share of world trade, increased import penetration, rising unemployment, stagnant production and depressed living standards. Of export-led growth, either in the immediate past or the immediate future, there is no sign. To argue against this background that the pound should be revalued is an exercise in self-delusion of heroic proportions.

The notion that we could launch ourselves into a virtuous circle by making our exports even less competitive might have some small merit if we were, as some people still seem to believe, an economy which imports raw materials and exports manufactures. The truth is that nearly 60 per cent of our import bill is now accounted for by manufactures. It would be the ultimate foolishness to push up the sterling rate in the fond belief that we were thereby keeping down industrial costs, when the real consequence would be to penalise our exports and to subsidise the very imports which are closing British factories.

If we allowed North Sea oil to push up the exchange rate, as Mr. Brittan suggests, we might knock at most 2 per cent. off the inflation rate, but at a terrible cost in terms of economic activity, unemployment and the standard of living. We should end up with no manufacturing industry and then where should we be when the oil ran out or prices fell? Our only chance of reducing unemployment and raising living standards is to produce and sell more. This can only be achieved through export-led growth which in turn means facing facts, however unpalatable, on the exchange rate.

Bryan Gould.
House of Commons, S.W.1.

Japanese imports

From the International Director, European Public Relations.

Sir,—Mr. Edmund Dell, Secretary of State for Trade, presented one point of view on Anglo-Japanese trade in Tokyo (April 19). May we, on behalf of Toyota (GB), importers of Toyota cars into this country, present another?

If certain Japanese products—and we are here talking about motor vehicles although our remarks may apply to other items too—sell so well in world markets and if, in the reverse, many U.K.-produced ones do not find the same ready acceptance, can we really blame the Japanese alone for this state of affairs, as Mr. Dell appears to have done?

Japanese industry, due to its high level of investment, its good labour relations and its efficient procurement and marketing policies, has succeeded in selling goods of the right quality at the right price all over the world. Regrettably, this has not always been the case with British products largely for reasons opposite to those listed above.

Of course there is some traditional and to us probably illogical resistance to imported manufactured goods in Japan and there are other inhibiting factors to which Mr. Dell rightly drew attention. Many are fast being removed under the increasingly liberal trade policies of the present Government. In Japan, others will disappear as the Japanese society adapts itself to international trading patterns.

But we in this country must put our own house in order before we can complain too loudly at the success of others. Mutual adjustment, compromise and, above all, understanding is surely required on both sides if a more satisfactory trade balance is to be achieved.

Peter Easton.
109-110, Bolsover Street, W.1.

Women at work

From Mrs. E. Davidson.

Sir,—The report (April 20) on ICI careers for women—or lack of them—headed "Where women gain little status," highlights how important it is for the Equal Opportunities Commission to seek such reports from all companies, prior to any final decisions being taken on the Bullock report. The final paragraph of your report only magnifies the completely wrong attitudes, even in the conclusions of a party trying to right the wrong.

Surely women feminists are not expecting a 50/50 mix of the sexes, they are demanding, by law, a representation on boards, and a 33 per cent. representation would seem fair—making allowances for the usual excuses put forward why females are not considered for management and board appointments.

The obvious time to implement such legislation, is when (and if) it is decided to implement the Bullock proposals.

E. M. Davidson.
7, Hathern Close, Sunnyhill, Derby.

Higher rates of interest

From Mr. N. Heward

Sir,—I was very interested to read Mr. Hampson's comments (April 4) concerning the practice of some building societies in charging higher rates of interest on larger mortgages.

There appears to be little justice in this practice, as it takes no account of the differing levels of house prices in various parts of the United Kingdom. In my view it amounts to a compulsory levy on those members of the public who are unfortunate enough to live in one of the higher priced areas, such as London, as because of higher prices they may be involved in a considerable increase in the rate of interest charged by the building society.

I was under the impression that building societies existed to help all members equally, but this practice smacks of discrimination of the worst type, when the victim has virtually no hope of redress.

Neil Heward,
197, Palgrave Road, Gt. Yarmouth.

Bus fare rises

From Mr. D. Franklin.

Sir,—It may be apposite for a hitherto regular and frequent passenger on bus services in various parts of Britain to observe from experience that tariffs on "National" group and municipally controlled services are now about double those on the few others remaining.

The British public has surely by now learned from bitter experience that there are two methods of price-fixing: that of protecting the producer (management and labour alike) irrespective of his level of efficiency, and that of the free market. At a recent hearing in this locality, fare rises of 118 per cent. over four years on a particular group of services were justified on grounds that the relevant wage bill "over which the organisation had no control" had risen by 113 per cent. Since passengers could establish no legal claim to representation, nobody recorded that the price index over the same period increased by only 64 per cent.

However much Socialists and large bus organisations dislike it, and prophesy (unproved) disastrous results, the obvious answer to public transport agitation is reversion to unrestricted market competition.

Douglas W. Franklin.
Bhoon Plat, Naughold, Ramsey, Isle of Man.

Seven-day week for two months

From Mr. F. Bradbury.

Sir,—We seem to have stumbled upon an absurdly simple solution to the dilemma the Government and unions find themselves in over the third phase of the social contract. This discovery is a "spin-off" from work we are doing in connection with industrial participation schemes (or as it is now more fashionably known, industrial democracy) which would really make wage policies superfluous. Anyway, this is how it goes:

Let's suppose that a "free-for-all," whether or not legalised by a social contract "agreement," results in a 15 per cent. increase in wages. Never mind if this is not accurate, because the following formula works out anyway. Such a figure would probably increase the national wages bill by something like £6bn. (£1bn.=£10?), of which about £2bn. goes back to the Chancellor. The remaining £4bn. is a "confetti money" wages increase which has no bearing on GNP. As such, the inflationary impact is obvious.

Let us instead consider the "kitty" scheme, but—here's the new bit—put in enough GNP to ensure that the settlement is not inflationary. A quick calculation shows that if the nation were to work a seven-day week for two months, there would be sufficient funds in the kitty not only to allow the same improvement in wages, but also to allow the tax concessions which have been mooted by the Chancellor. There would be some small change left over to give investment incentives to industry as well. The extra two days work each week would be paid, although it would probably not be a good idea to pay at overtime rates, and—here is the real incentive—could be tax free.

The dramatic possibilities of this scheme are that the unions can have an immediate return to free bargaining, the Government can proceed with its tax concessions, the IMF (and others) are given a potent demonstration of Britain's will to win, wage earners can get hold of some real cash to offset the losses of the past two years, prices are held down because the scheme creates a buyers' market, and there is no inflationary pressure on the economy. Unbelievable!

Politically, the Labour Government could claim it got Britain on to a seven-day week, whereas the Conservatives pushed us down to three days. But perhaps more importantly, a short, sharp two-month effort, with guaranteed return, would seem to be better than a year of struggling without guarantees and with the distinct possibility of a change of Government and arguments about who gets the credit. While industrialists would benefit from an increased turnover (and I will return to this point in a moment), with the same labour force, there would be a run-on after such a two-month stimulus which is bound to mop up some of the unemployment, there's a bonus!

There is no need to think, either, that industry does not have the work to do for seven days; it does—particularly the exporters. And the rest of industry would be able to feed the economy with an export lead. It works even if the extra two days are used only to paint the factory, although it is extremely unlikely that this would occur. Governments have made it so difficult to employ people that an opportunity to start moving with established work forces could be the breakthrough.

Whether or not we end up with a legalised free-for-all under a cosmetic third stage of the social contract, most of us in the private sector feel left out by the dialogue between the minority Labour Government and its caucus of trade union leaders. While one would hope for a return to majority rule in the United Kingdom, which could once again give us all the feeling of participating, the scheme which I have outlined could do much to help unite us and, after all, a seven-day week is something of the "spirit of Dunkirk" and would put us in the right frame of mind for the subsequent freedom in wages bargaining and price setting.

The social contract might have been contentious but it was imaginative. Perhaps a bit more imagination will help us through the next stage.

Farel Bradbury.
Bradbury Controls,
P.O. Box 4,
Ross-on-Wye.

Company law reform

From Mr D. Morgan

Sir,—May I refer to the letters from Mr. G. Gardiner, Mr. Ralph Instone and Mr. E. L. Giuseppi (chairman of the Law Society's Standing Committee on Company Law) which appeared in your editions of April 7, 14 and 20 following Edward Owen's informative article on the reaction in Jersey to the proposals for company law reform and the draft company law which I had produced during my appointment as commercial relations officer to the States of Jersey.

Mr. Instone has criticised a provision which Mr. Gardiner, expressing approval of my proposals, considered particularly useful, namely that the court could extend a liberal interpretation to the proposed new law. Such provision is not entirely novel, although it is at variance with the English approach to interpretation of legislation and accords more closely with Continental practice. The Law Commission paper "Interpretation of Statutes" published in 1969 went some way towards recommending the inclusion of a provision somewhat similar to Article 2 of my draft company law and a like provision has been adopted in other Commonwealth countries whose laws have been based on English law, for example New Zealand. So far as I am aware in practice the provision has not produced the confusion or conflict which Mr. Instone suggests must arise. The point was also considered in some detail by the Renton Committee on the preparation of legislation in 1975.

I shall be interested in Mr. Instone's comments regarding Article 43 which is intended to be a practical and realistic improvement on Section 54 of the English Companies Act, to which he draws attention and which he and others have so rightly criticised. In Article 10 I provided for the appointment of a commercial law review Board, with a duty to meet at not more than six-monthly intervals, for the purposes similar to those which the advocates might usefully be adopted in England.

Articles 31(17) and 125 of the draft law contain a clause seeking to provide assistance to an oppressed minority. Such clause is based on Section 210 of the English Companies Act 1948 but extended to cover the amendments recommended by the Jenkins Committee and the committee to which Mr. Giuseppi refers.

David St. C. Morgan.
10, Queensway House, Queen Street, St. Helier, Jersey.

The family getaway

From Mr. J. Archer.

Sir,—It is obvious that Mr. Arthur C. Rowe (April 20) does not own a caravan. It's also obvious that he doesn't know the reason why many other people do.

Purchasing a caravan is a holiday investment—one way to ensure that a family can get away once a year to vacation spots which otherwise it could ill afford.

Compared to commercial and private vehicles, a caravan is on the road only several hours a year—just long enough for a family to reach their holiday destination. Once there, they are content to stay.

If Mr. Rowe is so concerned about unfair taxation, then perhaps he should lead a campaign for the increase of Hampshire rates to equal those of his Surrey neighbours.

J. Archer.
9, Sandrock Hill Road, Farnham, Surrey.

To-day's Events

GENERAL

Prime Minister begins two-day visit to British Forces in West Germany.

EEC Agriculture Ministers begin two-day meeting, Luxembourg.

Anglo-U.S. air agreement talks continue, Washington.

International sugar agreement talks continue, Geneva.

Anzac Service, Westminster Abbey, noon.

TUC Finance and General Purposes Committee meets.

Proposals for new voluntary code of practice for local authority borrowing submitted to Treasury.

Mr. Richard Tarling, former chairman of Haw Par Brothers International, appeals against Chief Metropolitan Magistrate's decision to grant Singapore Government's request for his extradition.

Archway road plans public inquiry resumes for first evening sitting, Archway Central Hall, Islington. 5 p.m.

Institute of Grocery Distribution annual convention, Brighton.

Union of Shop, Distributive and Allied Workers' conference continues, Scarborough.

London Chamber of Commerce forum on trade opportunities in Israel, 69, Cannon Street, E.C.4. 2.30 p.m.

Sir Robin Gillett, Lord Mayor of London, attends Solicitors' Company dinner, Mansion House, E.C.4.

PARLIAMENTARY BUSINESS

House of Commons: End of debate on direct elections to European Assembly. Consideration of European Communities (Definition of Treaties) Orders.

OFFICIAL STATISTICS

Bricks and cement production (March).

COMPANY RESULTS

Simon Engineering (full year). Laing (John) and Son (full year).

COMPANY MEETINGS

See Week's Financial Diary on page 38.

MUSIC

St. Lawrence Jewry next Guildhall, E.C.2: Piano recital by Jeremy Brown, 1 p.m.

St. Michael, Cornhill, E.C.3: Alan Horsey gives organ recital, 1 p.m.

COMPANY NEWS

Sun Alliance suffers in home market

LAST YEAR'S exceptionally dry summer resulting in an unprecedented number of subsidence claims, caused Sun Alliance and London Insurance to experience in 1976 its worst underwriting result for more than a decade. The company, with half its premium income coming from the U.K., is more vulnerable to conditions in the home insurance market than the other major composites.

Usually, the U.K. market has better results than overseas accounts, but last year was an exception.

Lord Aldington, in his chairman's statement, expresses disappointment in the result, but the occurrence in the same year of unusual storm damage in January, which cost £2m., followed by the worst drought conditions for some 250 years, estimated to cost £13.6m., was more than a single year's underwriting could absorb.

The problems from subsidence are not yet over, despite the wet winter. Lord Aldington warns that further claims must be expected this year, but says the company has already taken action to reduce the impact of these claims on the 1977 results. He considers the amount set aside to cover last year's claims will be ample and will not impinge on 1977 figures, despite a large number of these claims still remaining to be settled at the end of 1976 and a substantial number not even investigated.

The group would appear to have had some success in reducing under-insurance. But Lord Aldington considers there are still too many policies under which the sum insured is not adequate.

Rates to go up

On the other home insurance accounts, Fire earned a satisfactory surplus, despite intense competition (particularly from overseas insurers), keeping premium growth below the rate of inflation. The motor account returned to profitability as a result of several premium rate increases, and action to improve the quality of the portfolio.

But Lord Aldington warns that further rate increases in 1977 are inevitable. The accident account, although in deficit last year, shows signs of improving, but professional indemnity claims are causing concern and there were higher losses from theft claims.

The group recorded a further improvement in its U.S. business, which accounts for 15 per cent. of premium income, with non-marine losses cut to £4.3m. compared with £4.7m. in 1975. However, the profits from property and the improvement in automobile business were offset by heavy losses in Workmen's Compensation and liability accounts.

Canada produced better results in automobile and property business, despite heavy losses arising from the windstorm in the Maritime Provinces early in the year.

In other overseas territories, Australia recorded increased profits, reflecting the corrective action taken in 1975, but New Zealand had a substantially increased loss. South African business suffered from a number of major fires and some serious storms, resulting in a severe underwriting loss.

In Europe, profitable results were produced in France and Spain, but Denmark, although profitable, had a less favourable outcome. There was some improvement in Belgium, although the account was still in deficit, while Germany and Holland both recorded losses.

Life funds increased by £89m. during the year to £346m. An amount of £17m. was invested in long-term gilts, with £9.3m. being put into equities and £6.9m. into property. This investment pattern is rather different from that of most other life companies last year, which invested a far higher proportion in fixed interest and much less in equities and property.

The gross yield on the group's life funds improved to 9.77 per cent. from 9.08 per cent. previously.

As already reported, pre-tax profits for the year amounted to £37.8m. But Lord Aldington points out that this has failed to keep pace with inflation in real terms, despite profits doubling in money terms between 1971 and 1976. Although dividend payments to shareholders have risen progressively in money terms over the period, their real value has declined steadily.

The solvency margin of the group at the end of 1976 was a healthy 62 per cent., and the chairman estimates that at present it is even higher. But if a high solvency margin is to be maintained, the group must be allowed to earn the necessary profits. There was not only a need to charge adequate premiums for the risk, but it was vital that stability was restored to the U.K. and to the world's economies.

Until these conditions were put right, the danger would remain that the capacity of the international insurance industry would contract overall, and its ability to offer terms for larger and more hazardous classes of business lessen.

Statement, Page 39

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

Interims:—[illegible], W. A. Tyzack.
Finals:—B.S.G. International, William Baird, British Investment Trust, Brooks Watson, Christies International, Hawker Siddeley, Jersey Electricity, John Laing, Manders, Silhouette (London), Simon Engineering, United Guarantee.

FUTURE DATES

Interims—	
Land Investors	May 12
M. and G. Group	May 12
Mass Engineering	May 4
Peak Investments	Apr. 28
Finals—	
Allied Polymer	May 3
Atlas Electric and General Trust	May 12
Automated Security	May 3
Cafyns	Jun. 14
F.C. Finance	Apr. 29
Gerrard and National Discount	Apr. 28
Hay (Norman)	Apr. 29
Helene of London	Apr. 28
Henderson (P. C.)	May 4
Kenkast	May 3
Lagos Industries	May 3
Porter Chadburn	May 3
Stockman (Walter)	May 12
Tootal	May 4

Nathan achieves upturn

For the 33 weeks of 1976 furniture manufacturers B and I Nathan achieved taxable profit of £163,474 on sales of £4.85m. This compared with a depressed figure of £50,033 on turnover of £2.94m. for the previous 52 weeks.

At halfway, when profit was ahead from £71,000 to £82,000 the directors said that the new factory, which had continued to incur costs in the third quarter, was contributing to profits as forecast.

Stated earnings per 25p share were 4.64p (1.13p) and a net final dividend of 2p lifts the total to a maximum permitted 3p (2.725p).

Profit was struck after interest of £9,537 (£38,924). Deferred tax took £77,731 (£28,174) leaving a net balance of £85,743 (£21,859) of which 30,273 (deficit £26,324) was retained.

BBA sees further increase

PROFIT WILL again be higher for BBA Group in the current year with progress being sought from the automotive side in particular, Mr. D. M. Pearson, the chairman, says in his statement. It was the automotive activity, concerning the production of friction and anti-friction materials, that was chiefly responsible for the group's 18.9 per cent. advance in taxable profit in 1976.

The directors state that there will be a second interim of 1.4163p net per 25p in place of the final for the same amount, already announced, making a total of 2.1339p. Should the basic rate of income tax be reduced to 33 per cent., a third interim of 0.0438p will be declared.

As already known, for 1976 profit was up from £6.3m. to £7.49m. on sales of £99.1m. (£78.76m.) of which direct exports were £12.6m. (£10.64m.) and sales by overseas companies £69.57m. (£51.3m.). Restated on a current cost accounting basis profit would have been lower by £1.97m. at £5.52m.

At year end net liquid funds showed an increase of £1.48m. (decrease £1.36m.).

Total capital expenditure of £3.35m. authorised for 1977 includes investment in Regina-Fibreglass—a joint company being formed with Fibreglass Ltd. to produce and market a new range of glass fibre tissue and staple glass yarns—and a payment in respect of the agreed acquisition of the 25 per cent. interest in Textar held by Bendix Corporation of America.

This purchase brings to an end the connection in Europe with Bendix which now owns a major competitor in Germany. The directors of BBA believe that Textar will continue to make a substantial contribution to profits and that the acquisition of the minority interest will allow a closer working relationship between Textar, Mintex and its other automotive companies.

Meeting, Bradford, on May 19 at 11.30 a.m.

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Share Information Service

The following securities have been added to the Share Information Services appearing in the Financial Times:—

Amalgamated Stores (section: Property). Edinburgh and General Investments (section: Insurance). Liberty and Co. (section: Drapery and Stores).

Wilmot Breeden optimistic

The current year for Wilmot Breeden (Holdings) is likely to be one of consolidation in which the effects of recent events at British Leyland will have to be absorbed. But, assuming normal economic conditions, the evidence points to a further advance in sales and earnings in 1978, Mr. D. L. Breeden, the chairman says in his annual review.

In France, which achieved a 35 per cent. return on total funds in 1976, there will be a few months delay between the loss of business due to customers' policy of dual sourcing, and the build-up of production for new business gained, he adds.

As reported on April 14, pre-tax profit surged 120 per cent. to £8.21m. on sales ahead at £83.33m. (£63.22m.). The net dividend is lifted to 2.73989p (2.45p).

At year-end net liquid funds were down £20,000 (up £2.19m.) and bank borrowings showed a decrease of £0.78m. (£1m.). Capital commitments totalled £2.44m. (£0.91m.) of which the amount authorised but not contracted for was £1.3m. (£0.28m.).

During the year the Eurodollar borrowing and part of the short-term borrowings were converted into a £4m. medium-term loan.

Since the year-end a reduction in staffing and further cuts planned for the electronics division, which produced a loss of £0.56m. in 1976, will mean a saving at an annual rate of £0.7m. by the end of the first half. The number of its factory sites is also being reduced giving further saving in overhead costs, says Mr. Breeden.

Thor Cryosene, in which the company acquired a 78 per cent. interest during the year, has been informed by the Department of Energy that it will be offered a contract and financial support for a project related to the application of solar energy for domestic use.

Meeting, Birmingham, on May 18, at noon.

Freddie Mansfield

Lord Aldington, chairman of Sun Alliance and London Insurance.

Senior Eng. strongly placed for finance

With borrowings representing only 11.7 per cent. of its shareholder interests at the end of 1976, Senior Engineering Group has a strong base on which to raise finance for future growth, Mr. R. Smith, the chairman, says in his annual statement.

As reported on April 16, taxable profit in 1976 advanced to £4.71m. (£3.82m.) on turnover up from £34.96m. to £41.97m. and the directors said they believe the growth will continue. The net dividend is lifted to 1.043p (0.95p) and a deferred dividend of 0.0161p may be paid if the basic rate of tax is reduced to 33 per cent.

At year-end capital commitments totalled £0.4m. (£0.59m.) of which £0.11m. (£0.13m.) was approved but not contracted, and net liquid funds showed a decrease £0.71m. (up £2.51m.) with a bank overdraft of £0.12m. (cash £0.39m.).

ITC Pension Trust and ITC Pension Investments hold a 7 per cent. interest and Prudential Assurance 5.2 per cent.

A geographical analysis of turnover shows, in £000s: Africa 1,088 (390), Australasia 1,396 (994), Western Europe 1,307 (1,148), Eastern Europe 405 (148), Scandinavia 291 (102), North America and South America 1,054 (677), Middle East 340 (456), India and Pakistan 103 (184), and other overseas countries 44 (82).

During the year the company continued its policy of acquiring companies and business to expand activities of its four trading divisions, and spent more than £1m. in its investment programme on fixed assets. At December 31, 1976, fixed assets were £1.91m. higher at £10.65m.

Profits for the light engineering division were marginally down but the steel tube division improved profits and margins on substantially increased sales. This division is maintaining its share of U.K. markets and pursuing new opportunities abroad, Mr. Smith reports.

The thermal division expanded sales and profit and the air handling and plastics division reached record profits.

Meeting, Connaught Rooms, W.C., on May 19 at noon.

Statement, Page 38

Scot. Northern dividend prospects

Estimates for the current year suggest that it should be possible for Scottish Northern Investment Trust to increase total dividend again, the directors tell members.

As reported on March 23, the net dividend for the year to February 5, 1977, is lifted from 2.3125p to 2.8p and the next interim, payable on November 5, will be increased from 0.8125p to 1.2p to reduce disparity.

For 1976/1977 revenue before tax was better at £1.72m. (£1.3m.). At year-end investments at valuation were £44.78m. (£44.34m.), with total net assets at £45.65m. (£44.78m.). Net asset value was 98.5p (97.12p).

During the year the directors decided that overall exposure to the somewhat unpredictable dollar premium was too high and also formed the view that recovery prospects in the U.K. Stock Market was better than in the U.S. and Canada. Dollar premium exposure was therefore reduced by arranging a Euro-dollar loan to finance part of the existing dollar portfolio and by repatriating premium funds for reinvestment in this country.

The policy of providing a balance between protection of capital value and growth in income through diversification of investment, both industrially and geographically in both well tried areas and less well known investments, which the directors judge to have growth prospects, is being maintained.

Meeting, May 17.

Statement, Page 38

Lonrho's net borrowings position

Documents accompanying Lonrho's £11.7m. net rights issue at 50p a share show that net borrowings since the last accounts on September 30 have risen from £150m. to £185.87m. as at February 28.

Since that date Lonrho has purchased—for £15m. Dunfred and Elliott which on March 16 had bank overdrafts and loans amounting to £22.25m. and cash of £0.96m.

The document confirms that Lonrho has referred the matter of the heavy loss sustained by its Beira-Feruka pipeline since its closure following UDI in Rhodesia in 1965, to its legal advisers.

Lonrho has contemplated issuing writs against 5 major multinational oil companies to compensate for losses running into "many millions" resulting from the closure and is asking its advisers to see what appropriate action may be taken. The issue arose from allegations of "sanctions-busting" by oil companies made by Haslemere Group which ran contrary to contracts between Lonrho and the companies.

The document also shows that Lonrho's controversial acquisition of Sir Hugh Fraser's 24 per cent. stake in Scottish and Universal Investments for £7m. is to be paid in two equal instalments on April 1, 1977 and April 1, 1978.

Waterford Glass expects growth

PRESENT indications are that Waterford Glass will see further progress in the current year. However, as yet, it is too early to identify the extent of this progress, particularly in the retail area when the second half is always the more significant, says Mr. P. W. McGrath, the chairman, in his annual statement.

The directors are hopeful that the company will continue to prosper at a rate in excess of inflation thus enabling the very conservative dividend policy, maintained over the years, to be somewhat relaxed in future, he adds.

As reported on April 22, pre-tax profit in 1976 advanced to £6.75m. (£4.72m.) on sales up at £79.68m. (£59.98m.). The dividend is raised to 1.2651p (0.9963p) and a one-for-three scrip issue is planned.

Of the tax charge, at £2.35m. (£1.36m.), the deferred element calculated at the 1977 reduced rate of 45 per cent. (50 per cent.), was lower at £0.26m. (£0.43m.), and there was an adjustment for prior year overprovision of tax totalling £0.11m. (£0.18m.).

At year-end net liquid funds were down £0.94m. (up £6.93m.) with bank balances showing a decrease of £1.11m. (up £3.37m.) and bank overdrafts down £0.17m. (down £3.56m.). Capital commitments contracted for amounted to £0.26m. (£0.19m.).

Since the end of the year Avenue Investment Company, formerly Dodder Investment Company, has reduced its holding from 40.9 per cent. to 32.3 per cent.

An increase in production by the company's crystal activities can be expected over the coming years with its existing facilities, but more rapid expansion is planned at Aynsley China and further acquisitions may be made says Mr. McGrath.

Expansion planned for the retail division at Smith Group, which made significant contribution to profit, is designed not only to improve profitability but also to strengthen the position of the Renault car on the Irish market.

Selling space is to be increased at Switzer Group and it may acquire more outlets, the chairman adds.

Meeting, Dublin on May 17.

Statement, Page 40

Unicorn hopes to improve

Mr. B. G. Ball-Greene, chairman of Unicorn Industries, says in his annual statement that present indications suggest a continuation of the modest improvement in order levels, seen during the last quarter of 1976, but he says that he shall be in a better position to comment by the AGM when some four months' results will be known.

As reported on April 6, pre-tax profits were a record £5.07m. against £2.57m. and dividend lifted from 4.418p to 4.8598p net.

Mr. Ball-Greene adds that in addition to the ever-increasing vicissitudes of international operations, the company continues to face a critical situation in this country, with no clear indication of the likely results of the Government's thinking on the control of incomes and prices.

At December 31, 1976, the group's fixed assets stood at £14.28m. (£10.04m.) and net current assets at £19.06m. (£17.53m.). There was an increase in working capital of £1.77m. (£1.54m.). Capital expenditure sanctioned and outstanding amounts to £0.36m. (£0.47m.) and contracts placed but not provided for came to £0.24m. (£0.4m.).

Meeting, Windsor, May 17 at 2.30 p.m.

G. Sturla still in the red

AN EXTRAORDINARY meeting has been called for May 17, by the directors of George Sturla and Son, to approve an increase in borrowing powers, from the present limit of £2.31m. to £3[illegible].

Mr. Anthony Dobson, the chairman states that the company has continued to incur losses and, according to the corporate plan referred to in 1975/76 annual report, will continue to do so into the first quarter of 1977/78.

Revenue reserves will, therefore, be further reduced and as the existing borrowing powers are geared to reserves a modification of the Articles becomes necessary. But, he points out, there is no plan or intention to increase borrowings above the present levels in the foreseeable future.

The company's activities include television rental and retailing.

The corporate plan, introduced in October, 1976, is based on the total adoption of short term personal loans, the elimination of all check and voucher trading business and a streamlining of the operation.

Sunbeam Wolsey outlook

BEARING IN mind the continuation of the unemployment situation and the importation of labour-intensive goods, Sunbeam Wolsey is cautiously optimistic of a worthwhile profit improvement in 1977.

Mr. C. O. Stanley, the chairman, says forecasts show that all group companies should improve substantially on their 1976 performance.

Referring to the three loss-makers, he says the Spring range of Allied Textiles has been well received and it now appears the company has a good future. Arklow Knitwear has continued losses into the current year but there is now evidence that it will trade profitably this year.

At Sunbeam Ltd., losses continued in 1976, although at a lower rate than in the previous two years. "We have £2m. capital employed in this company and we must obtain an adequate return on our investment soon," the chairman tells members.

In 1976, the group turned round from a loss of £855,000 to a profit of £458,000, and came back to dividends with a payment of 1.725p net.

At the end of the year, cash and bank balances had decreased by £110,411 and bank advances increased by £80,164. Net purchases of fixed assets totalled £230,339.

ULTRAMAR

A further 231,297 7 per cent. unsecured loan stock 1975/78 has been purchased by Ultramar for cancellation.

After this, the balance in issue will be 1,807,501.

Turner & Newall

By agreement, Turner and Newall has acquired the capital of Brake Linings of Buxton. This includes the Preference holders who will be contacted at an early date. The value of the net assets acquired will not represent a significant proportion of the net assets of Turner and Newall.

Brake Linings, employing some 430 people, manufactures automotive and industrial friction materials, mainly for the commercial vehicle market. It will continue to do so under it own brand name, Duron.

Turner and Newall has resolved to pay a supplemental net dividend appropriate to any reduction that may be made from the current 35 per cent. rate of ACT.

Pending dividends timetable

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially notified. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

Public Works Loan Board rates

London tea sales

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

BASE LENDING RATES

A.B.N. Bank	9½%	■Hambros Bank	9½%
Allied Irish Banks Ltd.	9½%	■Hill Samuel	9½%
American Express Bank	9½%	C. Hoare & Co.	9½%
A P Bank Ltd.	9½%	Julian S. Hodge	10½%
Henry Ansbacher	10 %	Hongkong & Shanghai	9½%
Banco de Bilbao	9½%	Industrial Bk. of Scot.	9½%
Bank of Credit & Cmce.	9½%	Keyser Ullmann	9½%
Bank of Cyprus	9½%	Knowsley & Co. Ltd.	11 %
Bank of N.S.W.	9½%	Lloyds Bank	9½%
Banque du Rhone S.A.	10 %	London & European	11 %
Barclays Bank	9½%	London Mercantile	9½%
Barnett Christie Ltd.	10½%	Midland Bank	9½%
Bremar Holdings Ltd.	11 %	■Samuel Montagu	9½%
Brit. Bank of Mid. East	9½%	■Morgan Grenfell	9½%
Brown Shipley	9½%	National Westminster	9½%
Canada Permanent AFI	9½%	Norwich General Trust	10 %
Capitol C & C Fin. Ltd.	10½%	P. S. Refson & Co.	9½%
Cayzer Ltd.	10 %	Rossminster Accept'cs	9½%
Cedar Holdings	9½%	Royal Bk. Canada Trust	9½%
■Charterhouse Japhet	9½%	Schlesinger Limited	10½%
C. E. Coates	10½%	E. S. Schwab	10½%
Consolidated Credits	9½%	Security Trust Co. Ltd.	11 %
Co-operative Bank	9½%	Shenley Trust	11 %
Corinthian Securities	9½%	Standard Chartered	9½%
Credit Lyonnais	9½%	Trade Development Bk.	9½%
[illegible]	11 %	Twentieth Century Bk.	11 %
Duncan Lawrie	9½%	United Bank of Kuwait	9½%
Eagil Trust	9½%	Whiteaway Laidlaw	10 %
English Transcont.	10 %	Williams & Glyn's	9½%
First London Secs.	9½%	Yorkshire Bank	9½%
First Nat. Fin. Corpn.	12½%		
First Nat. Secs. Ltd.	12 %		
■Antony Gibbs	9½%		
Goode Durrant Trust	9½%		
Greyhound Guaranty	9½%		
Grindlays Bank	9½%		
Guinness Mahon	9½%		

■ Members of the Accepting Houses Committee.

INTERNATIONAL COMPANY NEWS

EUROBONDS

New techniques given go ahead

BY MARY CAMPBELL

TWO NEW techniques are being launched into the floating rate sector of the Eurobond market. One is the floating rate certificate of deposit (CD) and the other the serial floating rate note.

The two floating rate CD issues, both from Japanese banks were announced following the go-ahead from the Bank of England on Friday morning for this new financing technique. They are thought to be the first ever such issues in the world.

The serial note is a technique known in the United States but not hitherto in Europe.

The floating rate CD issues are $10m. for Dai Ichi Kangyo Bank and $15m. for Sumitomo Bank. Both offer a margin above LIBOR of a quarter of a point (the standard margin for floating rate note (FRN) issues by prime banking borrowers) and both are for three years. They differ, however, in that Sumitomo has a floor on the interest rate it will pay of 5¼ per cent. (6¾ per cent. is the current norm in the FRN sector) while Dai Ichi Kangyo has not.

The Sumitomo issue is managed by Sumitomo Finance International and the Dai Ichi Kangyo issue by Credit Suisse White Weld. The placing of the latter has been completed while that for the former is still in progress.

The new technique is expected to appeal particularly to Japanese commercial bank borrowers—they are prevented by domestic Japanese regulations from raising money in the form of floating rate notes, a funding technique which has proved particularly popular with banks.

However, market sources suggested on Friday that there were other potential borrowers lined up too.

The issue of serial notes is for a Portuguese deep water port complex under Portuguese Government guarantee. The $50m. issue, which will not be launched until next week-end, is expected if present market conditions persist to offer a 1¼ point margin over LIBOR with a 7¼ per cent. minimum rate. The lead manager is Dillon Read. Final maturity is five years and average life is about 3¼ years.

The significance of the serial element lies in the amortisation. Starting after 18 months, $1,000 worth of each $10,000 bond will be redeemed at the end of each six monthly period, until the end of the last six months when the remaining $3,000 will be redeemed. In the case of a normal bond, individual bonds are paid off in full on a random basis from the sinking fund at each redemption date while other individual bonds may be held till the final maturity. In the case of a normal bond issue, therefore, neither the average life figure nor the final maturity figure are likely to have much relevance from the standpoint of any single investor.

The serial system adds an element of predictability to the amortisation which is expected to appeal particularly to bank investors. From the bank's point of view their advantages over a traditional floating rate loan is: first, that smaller amounts — from $10,000 upwards — can be invested; and second, the notes will be more negotiable than a loan participation would be.

The terms have been arranged so that the total cost to the borrower is about the same as on a floating rate bank loan.

A purchase fund will operate during the first 18 months before amortisation starts if the price of the bond goes below 98.

Amfas plans rights

BY MICHAEL VAN OS AMSTERDAM, April 24.

THE DUTCH AMFAS insurance company is planning a rights issue to back up its development and diversification of its business. In 1976, the company raised net profits by 11.5 per cent. to Fls.24.8m. and the Board purposes to raise the year's dividend to Fls.5.80 per share of Fls.20, which is up Fls.0.60 on 1975.

The company added in a statement ahead of the annual report, that good growth had been recorded in the past year in the accident and life insurance sectors. Gross profits increased to Fls.78.5m. (Fls.61.1m.), with gross profits from life insurance increasing strongly to Fls.67.1m. (Fls.48.3m.), while profits from accident insurance showed a decline to Fls.11.4m. (Fls.12.8m.).

Total premium income was stated to have increased 11.7 per cent. to Fls.620m. after excluding the non-recurrent life premiums of Fls.234m. received in 1975. Premium income life insurance rose 11.6 per cent., while income from accident insurance was up 11.7 per cent. Total turnover—overall premium income plus investment revenue — increased 14.4 per cent. to Fls.836m. with investment revenue having risen strongly by 22.8 per cent. to Fls.216m., which compares with a 17.7 per cent. increase in 1975.

Alcoa has high aluminium demand

PITTSBURGH, April 21.

ALUMINUM CO. Of America chairman Mr. W. H. Krome George, said demand in nearly all aluminium markets in the first quarter of 1977 was the strongest in over two years. Shipments were 22 per cent. ahead of a year ago and prices for most products higher.

Alcoa said shipments rose to 447,000 tons in first quarter 1977 from 345,000 in first quarter 1976, adjusted to exclude the company's Norwegian affiliate. Primary aluminium production rose to 351,000 tons from 307,000, again excluding Norwegian production.

MINING NOTEBOOK

Gold Fields enters the Pilbara fray

BY LODESTAR

THE BATTLE of the Pilbara, Australia's big iron ore mining district, goes remorselessly on. It goes on between the companies and the labour unions. And even between the companies themselves, strife which stretches from an inability to present a united front to the unions to intense competition for new ore contracts.

The Japanese steel mills are the main customers. They always present a united front and naturally look with deep suspicion at the Pilbara's seemingly never ending labour troubles. Mount Goldsworthy's Shay Gap mine is the latest victim of a strike. The group had already had to declare force majeure on ore shipments owing to a cyclone washing away part of the rail track from its Goldsworthy mine. As reported on Friday, Mt. Newman is also strike-bound.

These latest disputes are part of a rolling series designed by the nine unions involved in the industry to press their claim for separate negotiations on pay and conditions whereas the companies want a top-level conference in June with all the unions and companies represented together and with the meeting presided over by the ACTU president Mr. Hawke. Even on the companies' side there is a maverick in the shape of Robe River controlled by America's Cleveland-Cliffs Iron company.

The other three, Hammersley, Mt. Newman and Goldsworthy, are now fairly united on the labour question. But there is plenty of competition in the battle for iron ore contracts and none is being waged more fiercely than that whereby Goldsworthy is attempting to get its Area C into production. This is a life and death struggle because the group's two existing mines are nearing the end of their careers.

Fighting Goldsworthy are Mt. Newman with its big expansion plans and Marandoo another would-be newcomer which is backed by Lang Hancock and America's Texasgulf. Goldsworthy had its first proposals to the Japanese turned down. But a new $A300m. (£192m.) proposition has now been put forward the Japanese reaction to which is being awaited. If they are willing to talk turkey then negotiations can start in earnest.

The outcome is of prime interest to shareholders in London's Consolidated Gold Fields. The original partners in Goldsworthy were Consolidated Gold Fields Australia and America's Cyprus Mines and Utah Development. But under a scheme which is expected to fructify by the end of next month the participants will become Gold Fields itself with 46.7 per cent., Utah 33.3 per cent. and Australia's MIM Holdings with 20 per cent.

If Goldsworthy's life is extended by the development of Area C then, and only then, Gold Fields proposes turning it into a quoted company and offering the shares to the Australian public including shareholders in CGFA. It is also hoped that the Japanese customers will take an equity stake. Thus whether or not Gold Fields can offload a substantial part of its newly-acquired interest which could presumably be a very profitable deal, depends on the outcome of the Area C negotiations. At least its opening up has the blessing of Western Australia's Premier, Sir Charles Court, which Marandoo certainly has not.

Where an Area C success would leave Mt. Newman's expansion plans is a moot point. The partners in the latter are Australia's BHP and CSR, America's Amax, London's Selection Trust and Japan's Mitsui and C. Itoh.

Saaiplaas uranium

Johannesburg's preview of the March quarterlies from the South African gold mines quoted here last week certainly proved to be spot on, namely that the hangover of the end-1976 black labour shortage would still be affecting results despite full complements having been attained during the period and that resultantly the reports would have little impact on a share market that would continue to be dominated by the bullion price. And so it proved.

One intriguing feature of the quarterlies was the sudden and unexplained appearance in that of Free State Saaiplaas of a uranium profit of no less than R4,677,000. So the company, 50 per cent. owned by President Brand, was able to turn a loss of just over R1m. in the preceding quarter into a profit of R4.4m.

I gather from Johannesburg that this was due to a spot sale of uranium oxide made late in December the revenue from which has come into the March period. Here is yet further evidence of South Africa's ability to fill the gaps in world uranium supplies brought about by Australia's procrastination and Canada's current ban on exports to certain major countries.

The uranium-bearing slimes from Saaiplaas are being treated at Anglo American's big new joint metallurgical complex which, although behind schedule, is expected to reach full production towards the end of June. The participants therein, apart from Brand and Saaiplaas, are President Steyn, Free State Geduld, Western Holdings, Welkom and Freddies Consolidated. Saaiplaas were 92p on Friday. Profits are likely to be boosted from time to time by uranium revenue but the shares are primarily a speculation on a much higher gold price.

London stockbrokers continue to back their faith in South African Golds with expensively produced brochures. The latest, of over 60 pages, comes from Strauss Turnbull. It is the third in their series on gold and is one of the most knowledgeable and informative that I have seen for a long time.

Amid all the statistical and analytical data there are some forthright opinions with the prime choices in the high, medium and low-grade categories of Randfontein, Kinross and Harmony respectively. Incidentally, the verdict on Saaiplaas is that the mine will benefit substantially from uranium but there will be a long wait for dividends unless the gold price goes above $200. So it might be advisable to switch into the same stable's President Steyn it is suggested.

Money and Exchanges

Bank of England Minimum Lending Rate 8¾ per cent. (since April 22, 1977)

When Bank of England Minimum Lending Rate was cut to 9 per cent. on April 15 there appeared to be a general feeling that interest rates had reached a plateau for the time being. Not all observers were convinced of this however, and towards the end of last week discount houses buying rates for three-month Treasury bills were at levels suggesting a further reduction in Minimum Lending Rate. Sentiment in favour of a further cut was reinforced by the relative strength of sterling in the foreign exchange market, and by the fact that the authorities refrained from giving a signal of any displeasure over the trend in interest rates when there was ample opportunity on Thursday.

There was still a possibility that the Bank of England would override the market related formula for calculating MLR at the Treasury bill tender, but by Friday morning rates pointed firmly towards another cut. At the bill tender in the afternoon the average rate of discount was cut by 0.4325 per cent. to 8.0016 per cent. and MLR was reduced by ¼ per cent. to 8¾ per cent. It now stands at the lowest level since July 20, 1973, and at the close of business on Friday Treasury bills were trading at levels indicating a cut of at least another ¼ per cent. in MLR this week.

Day-to-day credit was in short supply throughout last week. The authorities gave extremely large assistance to the money market on Monday, including small overnight lending at MLR, and purchased a moderate number of Treasury bills on Tuesday. The scale of help on Wednesday was large, while on Thursday the extremely large assistance included very large overnight lending at MLR, and extremely large loans were made to the houses on Friday, over the week-end, at MLR.

Sterling came under some pressure early last Monday, but by the afternoon it was estimated that the Bank of England had recouped the $100m. or so used to support the pound in the morning when it touched a low point of $1.7170. For the rest of the week sterling was within a range of $1.7180-1.7200 in fairly quiet trading, and with the exception of Monday any intervention by the authorities was too small to detect, although small amounts of foreign exchange may have been absorbed to prevent a move above $1.72.

Fears about the future of the pay policy this year were behind the pound's initial weakness, but the March trade figures were generally well received.

Sterling closed at $1.7183-1.7188 on Friday, a rise of 6 points on the week, but showed a slight adverse reaction to the further narrowing of the differential between London and New York interest rates following the further cut in MLR. The pound's trade-weighted index, as calculated by the Bank of England, improved to 61.7 from 61.6.

Forward sterling was firmer, with the three-month discount against the dollar narrowing to 1.82 cents from 2.07 cents.

The main interest in the foreign exchange market last week was the volatile trading of the Japanese yen following a cut of 1 per cent. to 5 per cent. in the Bank Rate in Tokyo. It finished at a low point of Y278.30 in terms of the dollar on Wednesday, and ended the week at Y277.22½ compared with Y274.10 on the previous Friday.

Gold fell $¾ to $149¾-150¼ and trading was generally quiet.

April 22 1977	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposit	Company deposits	Discount market deposits	Treasury bills ф	Eligible Bank Bills ф	Fine trade bills ф
Overnight	—	7½-9	—	—	—	9	6½-9	—	—	—
2 days notice	—	—	7¾-8	—	—	—	—	—	—	—
7 days or 2 days notice	—	8¼-8½	8-8¼	—	8½-8⅝	9	8-8½	—	—	—
One month	8⅜-8⅝	8¼-8½	8¼-8⅜	9½-9¼	8½-8⅞	9½	8¼-8⅜	7½-7⅞	8¼	9½
Two months	8¼-8⅛	8¼-8½	—	9¼-8¾	8⅝-9	—	8¼	7⅞	8⅛	9⅝
Three months	8¼-8⅛	8⅜-8⅝	8⅝	9¼-8¾	8¾-9⅛	—	8¼	8-7⅞	8	9¼
Six months	8⅜-8½	8⅝-8⅞	9	9-8½	9⅛-9⅛	—	—	—	8¼-8⅛	9
Nine months	9-8⅞	9-9¼	—	9¾-9¼	9¾	—	—	—	—	—
One year	9⅛-9⅛	9⅛-9¾	10⅛-10¼	10-9½	10¼	—	—	—	—	—
Two years	—	—	11⅛-11¼	—	—	—	—	—	—	—

FOREIGN EXCHANGES

GOLD MARKET

EURO-CURRENCY INTEREST RATES*

FORWARD RATES

EXCHANGE CROSS-RATES

SPECIAL DRAWING RIGHTS RATES

INSURANCE

How far should consumerism be allowed to push its interests?

BY OUR INSURANCE CORRESPONDENT

IT IS a fundamental of the English law of contract that once B has accepted A's offer, provided both parties clearly understand the terms and nature of the transaction, and provided that offer and acceptance is supported by legal consideration (which can be simply a promise for a promise) then and there a contract is formed which either party can break only at the risk of being sued in the courts. It is not open to one party to come back a few days later and to say "I've had second thoughts—the deal is off," however cogent his reasons are.

In the insurance context, contrary to popular view, in the simplest situation it is usually the proposer who makes the offer by handing over his signed proposal form and the premium for the risk to be covered, while it is the insurer who accepts by issuing a cover note or verbally confirming cover. Where negotiations are more drawn out, where say non-standard terms are put forward or special conditions detailed, it may be that in the final analysis the insurer is the offeror, and the would be purchaser the acceptor. But, whatever their precise immediate pre-contractual positions, once the proposer has metamorphosed into a policyholder, he can withdraw from the contract only on the terms set out in the contract he has bought.

This will almost always involve retention of some premium by insurers, partly for the time they have been on risk and ready to pay a claim, partly for their administration costs, whether or not full documentation has been completed. More especially is this so where the insurance is compulsory—motor or employer's liability—for it would be a legal and commercial nonsense for the policyholder to incur a substantial liability claim, pass it on to his insurers and at the same time assert his wish to cancel the cover from inception and have his money back.

Yet, this is precisely the kind of situation that could still become a reality if the more extreme arguments over the iniquities of "doorstep selling" and the need for "cooling off periods" prevail. At the present time, both in Brussels in the directive planning department of the EEC, and here in Britain, there is much discussion between insurers and civil servants over the extent to which legal fundamentals should be altered to protect the unwary citizen who, on mature reflection, wishes to renege on his contract.

Admittedly, the law already has recognised this kind of potentially cancellable contract—see the Hire Purchase Act 1965, under which the citizen signing an HP or credit sale agreement other than at a retail establishment is given 72 hours to change his mind and back out. In its report on consumer credit in 1971 the Crowther committee recommended the extension of this law to all kinds of consumer sale and loan transactions made in consumers' homes. Then in 1973 the Scott committee, in its report on property bonds and equity-linked life assurance recommended in the case of doorstep sales both the issue of a statutory notice emodying certain basic information and the establishment of a cooling-off period.

Many of the provisions in the 1974 Insurance Companies Act owe much to the Scott committee's recommendations, and s.65 and subsequent sections of the Act make specific provision for notices and cooling off periods: as is now customary, those provisions have to be implemented by departmental regulations—regulations on which the DOT is working.

At this stage, it seems that only certain life contracts will be affected—but these may be both in traditional form and linked policies—also that only contracts made in a personal capacity will be affected. It seems the proposed regulations will not apply to life cover I buy from a salesman in my own home in respect of my business activities whether as a partner, company director or otherwise. Very much in this life assurance sphere is the philosophy of the personal consumer insurance contract, the philosophy of the Policyholder's Protection Act, likely to be applied.

In the life assurance field, the policyholder cannot make his claim and then rescind the contract. To this extent life contracts are different from most others. But, seemingly, an insurance precedent will soon be set in the life assurance field, which might later be extended to non-life business, with the inevitable substantial modification of time honoured legal principles. So how far should consumerism be allowed to push its interests?

OVERSEAS MARKETS

EUROBONDS

BY MARY CAMPBELL

Burst of new issues totals $350m.

THE ANNOUNCEMENT of seven new issues totalling about $350m. since Friday morning brings the overall value of issues currently on offer in the European sector of the international bond market to an impressive $1.3bn. By way of perspective, this is over half the total volume of new issues placed in the *whole* of 1974 and compares with a volume of $14bn. in the whole of 1976, itself 65 per cent. up on the previous annual record of $8.6bn. recorded in 1975.

The current new issue activity is concentrated primarily in dollars and D-marks—new issues on offer in these two sectors amount to $755m. and DM1.1bn. (about £465m.) respectively.

The figures may or may not be a record in their own right. But their real significance is that the further spate of new issue announcements has come at a time when both secondary and primary sectors of the market might otherwise have been expected to be suffering from violent indigestion.

The aggregate value of the U.S. dollar Eurobond issues which closed during the previous month (including Norway's $150m., priced last Friday) had already reached over $1bn., while the D-mark sector had absorbed some DM1¼bn.

Although the secondary market may well react more forcibly this morning in the light of the week-end's offerings, all this has so far happened with only faint signs of softening: last Thursday and Friday, activity in the U.S. dollar secondary market had fallen off and dealers reported prices drifting a bit lower, but the D-mark sector was strong following recovery from a technical reaction early last week.

An immediate explanation for the sustained strength of the markets in the face of the new issue volume can be found in the renewed falls in interest rates. Eurodollar rates have been falling for a couple of weeks now: the one-year rate is currently a quarter of a point below its level of a month ago while the seven-day rates are about a sixteenth lower.

In the D-mark sector the main factor behind the current new issue boom has been sharply falling German domestic savings rates—such is the comparative yield position that large proportions of the foreign new issues have been absorbed by German investors.

The effect of the falls in Eurodollar interest rates may well have been compounded by coming at a time when investors were expecting at best temporary stability in rates before increasing economic activity, particularly in the United States, started to push them up. At worst, particularly because of President Carter's more expansionist policies, they had expected rates to show signs of rising about now. According to this line of thinking, they held funds on bank deposits during the first couple of months of this year, funds which are now being released in addition to the regular reflows of investment funds from interest payments and amortization of outstanding bonds.

In this context it is perhaps worth noting that particularly large volumes of interest payments and principal were due on Eurobonds during February, March and April this year—a total of $1.83bn., well above the quarterly rate of $1.5bn. for the year as a whole, according to the Orion analysis.

If this is the full explanation for the continuing stability of prices and trading activity in the face of the heavy new issue volume, then one presumably must expect a reaction in the secondary market quite soon if the new issue announcements continue at anything like the current hectic rate. Some market analysts, however, are suggesting that the significance of the events of the past month is not restricted to the current interest cycle but may mark a long term turning point.

This analysis starts from the fact that ever since the current recovery started late in 1974, bouts of heavy new issue volume have tended to attract investor interest away from the secondary market, causing prices of outstanding bonds at best to drift untraded or at worst to fall as investors switched into new issues. During the last month, despite the extraordinarily heavy volume of new issues, trading activity has remained relatively high while prices have risen—indeed the appetite for new paper seemed to be insatiable.

The conclusion to be drawn from this phenomenon, the argument continues, is that there has been a fundamental change in investors' long term outlook. In the first half of the 1970s investors were expecting inflation and this expectation compounded their negative reaction to any sign of a rise in the short-term interest rates. Now, it is argued, they are expecting inflation rates to remain steady or fall during the next few years, and this compounds their positive reaction to any fall in short-term rates.

So much for the longer term outlook. Apart from those listed in the table, issues on offer include: DM100m. for the World Bank offering 6¼ per cent. for eight years in the form of a private placement via Deutsche Bank; Fls.75m. for Bank Mees and Hope under its own management, offering 7¾ per cent. for five years at par; Sw.Frs.70m. for Malmo, offering 5¾ per cent. for 15 years at 99½; and Kuwaiti dinars 5m. for the African Development Bank in two tranches, one of KD2m. offering 8¾ per cent. at par for ten years and the other KD3m. offering 8¼ per cent. at par also for ten years but with a holders' option to redeem after six. Lead managers here are KIIC and UBAF.

Two new techniques in the floating rate sector have also been developed (for details see Page 35).

A particular feature of the secondary market was the accelerating fall in the price of the Crédit Suisse 4½ per cent. convertible. Quoted between par and 101½ on April 15 (the day the news of its Sw.Frs.250m. potential loss via the Chiasso branch first appeared) it fell about 1½ points by last Monday evening. After staying more or less steady through mid-week, there was another sharp fall on Thursday and Friday. It closed the week around 95/6, about half a point above the floor touched on Friday morning. There was no sign of support from Crédit Suisse, dealers reported.

CURRENT EUROBOND ISSUES

Borrower	Amount	Maturity	Av. life years	Coupon %	Price	Lead manager
US DOLLARS	$m.					
†‡Midland	50	1987	Bullet	6 min.	100	Montagu, CSWW EBC
‡Bank of Tokyo	50	1984	Bullet	7⅞	100	S. G. Warburg
‡Norway	150	1982	Bullet	7½	100¼	Hambros
Winnipeg	35	1987	Bullet	8¼	*	Wood Gundy
Bougainville Copper	25	1984	6	8¾	*	Morgan Stanley
Volkswagen	150	1987	Bullet	7½	*	Deutsche, UBS
City Investing	25	1984	6.17	8¾	*	Blyth Eastman Dillon
Nordic Invst. Bank	40	1984	Bullet	7¾	*	CSWW
Reed International	30	1987	8.7	9	*	S. G. Warburg
United Biscuits	30	1989	10.8	9¼	*	Morgan Grenfell
Ashland Oil	60	1982	3.5	7¼	*	Paribas
Kajima (g'teed. Sumitomo)	20	1982	Bullet	7¾	*	Daiwa, Morgan Stanley
Bowater	50	1992	11.76	9½	*	CSWW
New Zealand DFC	20	1984	5.3	7¾	*	Citicorp Intnl.
Norges Kommunalbank (state g'teed.)	75	1992	n.a.	8½	*	WLB
ECSC	30	1984	Bullet	7⅞	*	KIC, Hill Samuel
†Creditanstalt	40	1984	Bullet	5¼ min.	100	EBC CSWW
†Cie. Gen. Maritime, etc. Financière (state g'teed.)	50	1984	6.02	6½ min.	*	Banque de l'Union Européenne
British Columbia Hydro	75	1985	n.a.	7½	*	CSWW
CANADIAN DOLLARS						
‡General Foods	C$25m.	1984	Bullet	8¾	100	Wood Gundy
‡Mnftrs. Hanover Lsng.	C$25m.	1982	Bullet	8¾	100½	Wood Gundy
BM-RT Ltd.	C$25m.	1982	Bullet	8¾	*	UBS (Securities)
D-MARKS						
‡UAE Currency Board	DM100m.	1982	Bullet	6¼	100¼	Deutsche Bank
‡New Zealand	DM200m.	1984	Bullet	6¼	99½	Commerzbank
‡Norwegian Mtge. Assn.	DM50m.	1987	8	7½	100¼	WLB
Singapore	DM100m.	1983	Bullet	6½	*	Dresdner
Denmark	DM150m.	1983	Bullet	6½	*	WLB
Denmark	DM100m.	1987	Bullet	7¼	*	WLB
ICI	DM150m.	1987	8.5	6¾	*	BHF Bank
World Bank	DM400m.	1987	Bullet	6¼	99½	Deutsche Bank
Brazil	DM100m.	1984	Bullet	7¾	*	Deutsche Bank
GUILDERS						
‡Bank Mees & Hope	Fls.75m.	1982	Bullet	7¾	100	Mees & Hope

* Not yet priced † Floating rate ‡ Final terms

Indices

NEW YORK —DOW JONES

	Apr. 22	Apr. 21	Apr. 20	Apr. 19	Apr. 18	Apr. 15	1977 High	1977 Low	Since compilation High	Since compilation Low
Industrial	927.07	935.60	942.58	938.77	942.76	947.76	999.75 (3/1)	914.73 (6/4)	1051.70 (11/1/73)	41.22 (2/7/32)
HomeB'nds*	91.25	91.57	91.58	91.52	91.45	91.26	93.57 (5/1)	90.69 (7/3)	—	—
Transport	235.52	237.58	240.36	237.65	235.10	234.42	240.56 (20/4)	221.81 (25/2)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	107.27	108.16	108.26	108.52	108.64	108.85	111.87 (25/1)	104.97 (25/2)	165.32 (20/4/65)	10.58 (28/4/42)
Trading vol. 000's	20,790	22,740	25,030	19,578	17,830	20,220	—	—	—	—

* Basis of index changed from July 1.

Ind. div. yield %	Apr. 15	April 8	Apr. 1	Year ago (approx.)
	4.49	4.61	4.57	3.76

STANDARD AND POORS

	Apr. 22	Apr. 21	Apr. 20	Apr. 19	Apr. 18	Apr. 15	1977 High	1977 Low	Since compilation High	Since compilation Low
*Industrials	109.05	110.60	111.35	110.97	111.56	112.17	118.92 (3/1)	108.72 (6/4)	134.54 (11/1/73)	35.2 (30/6/32)
†Composite	99.44	99.75	100.40	100.07	100.54	101.04	107.00 (3/1)	97.91 (6/4)	125.85 (11/1/73)	4.40 (1/6/32)

	Apr. 20	Apr. 13	Apr. 6	Year ago (approx.)
Ind. div. yield %	4.25	4.21	4.29	3.28
Ind. P/E Ratio	10.41	10.41	10.21	14.00
Long Govt. Bond yield	7.62	7.68	7.75	5.49

N.Y.S.E. ALL COMMON

Apr. 22	Apr. 21	Apr. 20	Apr. 19	1977 High	1977 Low
53.88	54.34	54.70	54.50	57.07 (4/1)	53.26 (6/4)

Rises and Falls April 22

Issues Traded	1,869	Up	577
Down	1099	Same	393
New Highs	23	New Lows	119

		Apr. 22	Apr. 21	Apr. 20	Apr. 19	1977 High	1977 Low
MONTREAL	Industrial	177.25	178.84	178.88	178.56	185.47 (17/3)	[illegible] (21/1)
	Combined	175.76	177.75	177.89	177.59	182.75 (16/3)	174.53 (13/4)
TORONTO	Composite	1005.6	1007.1	1007.7	1004.5	1062.5 (16/3)	990.0 (13/1)
JOHANNESBURG	Gold	155.7	155.5	170.4	182.7	192.5 (7/3)	155.0 (7/?)
	Industrials	169.1	168.5	170.5	177.4	185.8 (7/1)	168.1 (22/4)

	April 22	Previous	1977 High	1977 Low
Australia (a)	433.17	431.27	447.62 (17/1)	419.62 (16/2)
Belgium (b)	97.53	96.26	99.12 (10/1)	92.61 (30/2)
Denmark (d)	107.01	107.01	107.25 (23/3)	96.86 (5/1)
France (e)	49.3	49.3	56.4 (7/1)	47.5 (6/4)
Germany (f)	761.8	731.7	761.7 (21/4)	712.5 (10/3)
Holland (g)	89.4	89.0	89.4 (22/4)	81.9 (26/1)
Hongkong (h)	448.74	445.45	448.74 (22/4)	415.45 (14/3)
Italy (k)	—	64.05	75.71 (2/1)	62.98 (14/4)
Japan (m)	322.10	333.65	393.73 (9/2)	364.10 (7/4)
Singapore (n)	—	246.50	280.29 (10/1)	246.50 (21/4)
Spain (p)	95.51	92.66	102.51 (11/3)	88.54 (14/4)
Sweden (q)	405.82	405.66	416.65 (22/3)	398.19 (4/2)
Switz'ld (r)	299.5	300.5	300.5 (21/4)	280.2 (4/3)

Indices and base dates (all base values 100 except NYSE All Common—50, Standards and Poors—10 and Toronto 300-1,000, the last-named based on 1975.) (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73. (e) Paris Bourse 1961. (f) Commerzbank December, 1953. (g) Amsterdam Industrial 1970. (h) Hang Seng Bank 31/7/64. (k) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966. (p) Madrid SE 31/12/76. (q) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp. 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 400 Industrials. † 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (c) Closed.

OVERSEAS SHARE INFORMATION

NEW YORK

GERMANY

JOHANNESBURG

AUSTRALIA

PARIS

Investment premium based on $2.60 per £1—121¼% (118¼%)

AMSTERDAM

CANADA

TOKYO

VIENNA

OSLO

BRAZIL

SPAIN

COPENHAGEN

SWITZERLAND

BRUSSELS/LUXEMBOURG

MILAN

STOCKHOLM

TEL AVIV

هكذا من الاصل

AUTHORISED UNIT TRUSTS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

INSURANCE, PROPERTY, BONDS

[illegible]

FINANCIAL TIMES STOCK INDICES

	Apr. 22	Apr. 21	Apr. 20	Apr. 19	Apr. 18	Apr. 15	A Year ago
Government Secs	68.75	68.58	68.20	67.97	68.03	68.94	60.85
Fixed Interest	69.49	69.31	69.15	69.02	69.01	69.73	60.44
Industrial Ordinary	422.3	418.7	412.5	408.1	409.1	416.5	401.0
Gold Mines	113.9	109.6	113.9	118.1	121.1	120.5	174.0
Ord. Div. Yield	5.39	5.43	5.54	5.58	5.57	5.49	5.25
Earnings Y'ld% (full) (*)	16.23	16.38	16.71	17.05	17.03	15.79	15.45
P/E Ratio (net) (*)	9.06	8.98	8.80	8.59	8.61	8.73	9.52
Dealings marked	6,566	5,268	4,732	5,055	5,692	4,937	6,107
Equity turnover £m.	—	65.33	52.61	43.39	46.89	62.26	37.25
Equity bargains total	—	15,172	12,964	12,463	15,207	12,559	13,518

10 a.m. 421.7. 11 a.m. 421.2. Noon 420.4. 1 p.m. 420.6.
2 p.m. 421.0. 3 p.m. 421.1.
Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. Nil=8.00.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1977 High	1977 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	70.96 (31/3)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	70.75 (1/4)	60.49 (6/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	433.8 (17/3)	357.6 (12/1)	549.6 (14/5/72)	49.4 (26/6/40)
Gold Mines	137.4 (7/3)	95.1 (1/2)	442.3 (26/5/75)	43.5 (26/10/71)

S.E ACTIVITY

—	Apr. 22	Apr. 21
Daily—		
Gilt-Edged	175.6	150.5
Industrials	237.5	190.6
Speculative	46.7	51.7
Totals	140.2	119.9
5-day Av'r'ge		
Gilt-Edged	167.1	155.5
Industrials	192.5	162.4
Speculative	34.8	31.4
Totals	125.7	116.4

FT—ACTUARIES INDICES

—	April 22	April 21	April 20	April 19	April 18	April 15	Year ago
Industrial Group	167.57	166.57	164.50	162.79	163.49	166.14	159.51
500 Shares	193.40	191.59	187.94	186.27	187.52	190.11	176.29
Div. Yield pc	5.71	5.76	5.86	5.91	5.87	5.79	5.40
P/E Ratio (net)	9.18	9.10	8.93	8.86	8.93	9.47	10.26
All Shares	177.41	176.04	173.19	172.03	173.03	175.41	166.07
Yield pc	12.66	12.68	12.73	12.80	12.79	12.55	13.66

HONG KONG

[illegible]

SINGAPORE STOCKS

[illegible]

NOTES

[illegible]

INSURANCE BASE RATES

† Property Growth 10½%
Cannon Assurance 7 %
† Address shown under Insurance and Property Bond table.

CORAL INDEX: Close 420-425

I.G. Index 01-351 3466 Three months Silver 288.5-291.5

Anglesey Aluminium executive changes

Mr. J. D. Hamilton, previously production director of ANGLESEY ALUMINIUM has been made managing director. He succeeds Mr. E. H. Sangwine, who is returning to the U.S., but retains connections with the company and has been appointed deputy chairman. Mr. J. E. Jones, administrative director, is now deputy managing director, and Mr. W. O. D. Eadie becomes financial director.

Anglesey Aluminium is two-thirds owned by Kaiser Aluminum and Chemical and one-third by Rio Tinto Zinc.

★

Mr. P. Collins, Mr. L. Collins and Mr. A. G. Saunders will join the partnership of SIMON AND COATES, stockbrokers, on May 1 and Mr. T. J. Hitchcock, Mr. W. R. Charlesworth and Mr. J. J. Raggett become associate members on that date. From May 2, Mr. A. W. G. Sykes resigns his partnership to become a partner of W. I. CARR SONS AND CO., stockbrokers.

★

Mr. B. D. Carr and M. A. R. H. Thomas are joining the partnership of KITCAT AND AITKEN, stockbrokers, on May 1.

★

Mr. B. P. Hepburn has been appointed works director of Harrison of Birmingham and a director of Lombard Finishing Company. Both companies are members of the McKECHNIE BROTHERS group.

★

Mr. Malcolm Savage has been appointed vice-president of OCEANIC FINANCIAL SERVICES, a subsidiary of Oceanic Finance Corporation, the newly formed Bermuda-based company providing finance and financial services to the international shipping industry. Mr. Savage joins Oceanic from the shipping finance division of Grindlay Brandts.

★

Mr. G. F. Hunn, a member of the full-time general committee of the ROYAL ARSENAL CO-OPERATIVE SOCIETY, for 12 years, has been appointed chairman of the society.

★

Mr. Harold A. Hobrow, chairman and managing director, Kenworthy Tools, has been appointed president of the GAUGE AND TOOL MAKERS' ASSOCIATION in success to Mr. A. Norman Harley, who completed a six-year term of office. Mr. Hobrow was chairman of the GTMA Council and has been succeeded in that position by Mr. V. H. Sharp, managing director, Novogage.

★

Mr. F. W. Knight, previously group managing director U.K. of the BRISTOL-MYERS COMPANY, has been made territorial director U.K. and Republic of Ireland.

★

Mr. D. G. Jefferies, has been appointed director of personnel management of the CENTRAL ELECTRICITY GENERATING BOARD from May 1. He succeeds Mr. G. N. Stone who has become director-general of the Board's South Eastern Region.

★

Mr. G. R. W. Dalgleish has been appointed a director of HIGGS AND HILL OVERSEAS and becomes the company's resident construction director in Trinidad. Mr. Dalgleish is resigning as a director of Higgs and Hill Northern. Mr. L. Stoller has been made managing director of the Northern company and Mr. L. N. G. Lambert, Mr. I. R. Newton and Mr. T. Taylor have joined that Board.

★

Mr. Robin Estridge and Mr. Jack Powell, previously directors of Leslie and Godwin (Life and Pensions), have been appointed to the Board of ESTRIDGE AND ROPNER, a subsidiary of Ropner Holdings.

★

Mr. Patrick Pearce has joined the Board of HARRISON COMPUTER SERVICES as financial director. He was previously with Mitchell Cotts and Co.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's time-table.

TO-DAY

COMPANY MEETINGS—
Barrow Hepburn, Dorchester Hotel, W., 11.15
Scottish Eastern Investment Trust, Edinburgh, 12.30
Woodward (H.), Liverpool, 3

BOARD MEETINGS—
Finals:
B.S.G. International
Baird (William)
British Investment Trust
Brooks Watson
Christies International
Hawker Morris
Jersey Electricity
Laing (John)
Manders
Silhouette (London)
Simon Engineering
Interims:
Fundinvest
Tyzack (W. A.)

DIVIDEND & INTEREST PAYMENTS—
Aquis Securities 0.375p
Bankers Trust New York 75 cts.
Beralt Tin and Wolfram 1.25p
British Investment Trust Db. 2½pc
C.P.C. International 62.5 cts.
City and International Trust 1.3p
General Electric Company 45 cts.
Grand Metropolitan 2.4027p
Grindlays 2p
MIM Holdings 3 cts.
Macpherson (Donald) Ln. 3½pc
Manufacturers Hanover 48 cts.
North Surrey Water 3.5pc Ord. 1.75p. 3.5pc (fmly. 5pc) Ord. 1.75p. 7pc Ord. 3.5p. 4.9pc A and B Ord. 2.45p
Rights and Issues Investments 1.9375p. Capital 0.096875p
Thames Plywood Manufacturers 1.37p
Victor Products (Wallsend) 1.191p
Woodhouse and Rixon 1.03795p
Woodward (H.) 1.3p

TO-MORROW

COMPANY MEETINGS—
Broadstone Investment Trust, 120, Cheapside, E.C., 12
Investing in Success, Regis House, King William Street, E.C., 10.45
Shakespeare (Joseph), Dudley, 12.15
Sungei Krian Rubber, 10.15, Mincing Lane, E.C., 12.30
Vantona, Manchester, 12.45

BOARD MEETINGS—
Finals:
Belgrave (Blackheath)
Bodycote International
Davies and Newman
Ellis and Goldstein
F.C. Finance
Fairbairn Lawson
Farnell Electronics
Hopkinsons
Newarthill
Richards and Wallington
Siemssen Hunter
Silentnight
Stylo Shoes
Tozer Kemsley and Millbourn
Interims:
Newman Granger
Spencer Gears
Unochrome International

DIVIDEND & INTEREST PAYMENTS—
Cement-Roadstone 2.6p
Cooper (Frederick) 0.3p
Dunbee-Combex-Marx 3p
Hall Brothers Steamship Ord. and A 3.61p. 5pcPf. 4p
Kent 9¼pc Red. '78-80 4⅝pc
Olympia Redacre 1.4p
Vantona 3.0119p
Warnford Investments 2.0916p

WEDNESDAY, APRIL 27

COMPANY MEETINGS—
Anglia Television, Norwich, 2.30
BCA Group, Portland House, Stag Place, S.W., 12
Burmah Mines, Winchester House, E.C., 12.30
Equity and Law Life Assurance, 20, Lincoln's Inn Fields, W.C., 12.15
Gardner (L.), Manchester, 2.30
Garton Cooper, Birmingham, 12
International Investment Trust, 77 London Wall, E.C., 12.30
Kitchen (Robert) Taylor, 16/17, Berners Street, W., 12
R.K.T. Textiles, 16/17, Berners Street, W., 11.30
Ratcliffs (Great Bridge), Birmingham, 3
Sale Tilney, 28, Queen Anne's Gate, S.W., 12.30

BOARD MEETINGS—
Finals:
Anchor Chemical
Clarke Chapman
De Vere Hotels
Estate Duties Investment Trust
Foseco Minsep
Gieves
Home Charm
Hoskins and Horton
Jessel Toynbee
Newman Tubes
Nurdin and Peacock
Petrocon
Smith St. Aubyn
Spillers
Tarmac
Telephone Rentals
Thomson T-Line Caravans
Wight Construction
Interim:
BPM

DIVIDEND & INTEREST PAYMENTS—
Adams and Gibbon 3.075p
Afan 10¼pcBds. Red. 27/4/77 £5.2289
Ayer Hitam Tin Dredging Malaysia Berhad 208.33 cts.
Bank of Nova Scotia 21½ cts.
Berwick Upon Tweed 14½pcBds. Red. 2/11/77 7¼pc
Bolsover 14½pcBds. Red. 2/11/77 7¼pc
Bromley 10½pcBds. Red. 27/4/77 £5.2289
Bromsgrove 14½pcBds. Red. 2/11/77 7¼pc
Cambridgeshire 10½pcBds. Red. 27/4/77 £5.2289
Chelmsford 6½pcBds. Red. 27/4/77 £3.2036
Chichester 10½pcBds. Red. 27/4/77 £5.2289
Chigwell 6½pcBds. Red. 27/4/77 £3.3306
Corporation of London 10½pcBds. Red. 27/4/77 £5.2289
Cumbria 10½pcBds. Red. 27/4/77 £5.2289
Dudley 10½pcBds. Red. 27/4/77 £5.2289
Dundee 14½pcBds. Red. 2/11/77 7¼pc
Durham 14½pcBds. Red. 2/11/77 7¼pc
Ealing 10½pcBds. Red. 27/4/77 £5.2289
East Staffordshire 10½pcBds. Red. 27/4/77 £5.2289
Edinburgh 14½pcBds. Red. 2/11/77 7¼pc
Edinburgh and Dundee Invest. 2.3p
Fareham 10½pcBds. Red. 27/4/77 £5.2289
Glasgow 10½pcBds. Red. 27/4/77 £5.2289
Grampian 14½pcBds. Red. 2/11/77 7¼pc
Islington 6½pcBds. Red. 27/4/77 £3.3306. 14½pcBds. Red. 2/11/77 7¼pc
Jamesons Chocolates 2.065p
Kensington and Chelsea 14½pcBds. Red. 2/11/77 7¼pc
Lake and Elliot 1.43p
Lambeth 10½pcBds. Red. 27/4/77 £5.2289
Lincoln 14½pcBds. Red. 2/11/77 7¼pc
Lochaber 10½pcBds. Red. 27/4/77 £5.2289
London 10½pcBds. Red. 27/4/77 £5.2289
Malvern Hills 14½pcBds. Red. 2/11/77 7¼pc
Manchester 14½pcBds. Red. 2/11/77 7¼pc
Mole Valley 14½pcBds. Red. 2/11/77 7¼pc
Newham 14½pcBds. Red. 2/11/77 7¼pc
North Wiltshire 10½pcBds. Red. 27/4/77 £5.2289
Northampton 10½pcBds. Red. 27/4/77 £5.2289
Nottingham 10½pcBds. Red. 27/4/77 £5.2289
Orkney Islands 10½pcBds. Red. 27/4/77 £5.2289
Rhymney Valley 10½pcBds. Red. 27/4/77 £5.2289
Riverview Rubber Estates 0.05p
Rother 14½pcBds. Red. 2/11/77 7¼pc
Roxburgh 10½pcBds. Red. 27/4/77 £5.2289
Salop 6½pcBds. Red. 27/4/77 £3.3306
Shakespeare (Joseph) 1.0725p
South Bedfordshire 14½pcBds. Red. 2/11/77 7¼pc
Spelthorne 14½pcBds. Red. 2/11/77 7¼pc
Stafford 14½pcBds. Red. 2/11/77 7¼pc
Stirling 6½pcBds. Red. 27/4/77 £3.2036
Stoke-on-Trent 14½pcBds. Red. 2/11/77 7¼pc
Strathclyde 14½pcBds. Red. 2/11/77 7¼pc
Tamworth 6½pcBds. Red. 27/4/77 £3.3306
Tendring 14½pcBds. Red. 2/11/77 7¼pc
Test Valley 14½pcBds. Red. 2/11/77 7¼pc
Three Rivers 10½pcBds. Red. 27/4/77 £5.2289
Tonbridge and Malling 14½pcBds. Red. 2/11/77 7¼pc
Waltham Forest 14½pcBds. Red. 2/11/77 7¼pc
Wandsworth 14½pcBds. Red. 2/11/77 7¼pc
Warwick 10½pcBds. Red. 27/4/77 £5.2289
Watford 10½pcBds. Red. 27/4/77 £5.2289
Waveney 10½pcBds. Red. 27/4/77 £5.2289
Wellingborough 6½pcBds. Red. 27/4/77 £3.3306
West Oxfordshire 10½pcBds. Red. 27/4/77 £5.2289
West Somerset 10½pcBds. Red. 27/4/77 £5.2289
Wigtown 10½pcBds. Red. 27/4/77 £5.2289
Winchester 10½pcBds. Red. 27/4/77 £5.2289
Wolverhampton Die Casting Group 0.385p

THURSDAY, APRIL 28

COMPANY MEETINGS—
British Mohair Spinners, Bradford, 12
British Petroleum, Britannic House, Moor Lane, E.C., 12
Clay (Richard), Waldorf Hotel, W.C., 12.15
International Combustion, Hotel Russell, Russell Square, W.C., 12
Montfort (Knitting Mills), Leicester, 12
Newey Group, Birmingham, 4
Sharpe (W. N.), Bradford, 12
TPT, Manchester, 12
Tomatin Distillers, Mayfair Hotel, 12.15
Watmoughs, Leeds, 12

BOARD MEETINGS—
Finals:
British Vending Industries
Burrell
Firmin and Sons
Garrard and National Discount
Haden Carrier
Helene of London
Henderson (P. C.)
Lead Industries
Maclellan (R. and W.)
Marks and Spencer
Shiloh Spinners
Vickers
Wimpey (George)
Interims:
Anglo Scottish Investment Trust
British Assets Trust
Howden Group
McKechnie Bros.
Peak Investments
Safeguard Industrial Investments
Simpson (S.)

DIVIDEND & INTEREST PAYMENTS—
Anglo American Investment Trust 260 cts.
Broadstone Investment Trust 3.3p
Canadian Imperial Bank of Commerce 35 cts.
De Beers Consolidated Mines 22.5 cts. Dfd 22.5 cts.
Dickie (James) 1.93p
Gardner (L.) 4.40625p
Green (R.) Properties 0.5p
Parker Knoll Ord. and A 0.873p
Pontins 1.65p
Readymix 2.275p
Tiger Oats and National Milling 26 cts.
Tomatin Distillers 1.8735p
Toronto Dominion Bank 19 cts.
Watmoughs 2.154p

FRIDAY, APRIL 29

COMPANY MEETINGS—
Blagden and Noakes, Connaught Rooms, W.C., 12
Clifford (Charles) Industries, Pedmore, Stourbridge, 4
English Property, Dorchester Hotel, Park Lane, W., 10.30
Dufay Bitumastic, Winchester House, E.C., 12
Lambert Howarth, Burnley Crest Motel, 12
Mixconcrete, Little Billing, 11.30
Nu-Swift, Hotel Inter Continental, W., 3
Oliver (George), Braunstone, Leicester, 12
Reliable Properties, Winchester House, E.C., 12
Rhodesian Corp., 25 City Road, E.C., 11
Shaw (Francis), Manchester, 2.30
Solicitors Law Stationery, Savoy Hotel, W.C., 12
Spencer (George), Basford, Nottingham, 12

BOARD MEETINGS—
Finals:
Allebone and Sons
Gill and Duffus
Hammerson Property Investment Trust
Hay (Norman)
Lyle Shipping
Whatman Reeve Angel
Interims:
Hepworth (J.)
Raglan Property Trust

DIVIDEND & INTEREST PAYMENTS—
Amalix Industries Ln. 3½pc
Allen Harvey and Ross 20.5p
Allseas Shipping Services 0.26218p
Ashbourne Investment Ln. 4½pc
Bailey (C. H.) Ord. and B 0.2112877p
Bejam 1.25p
Blackwood Hodge 6pcPf. 2.1p
Blundell-Permoglaze 6½pcPf Ord. 3¼pc. Do Ln. 3½pc
Brascan Class A Cnv. 25cts.
Britannic Assurance 5.277p
Bruntons (Musselburgh) 3.5089p
Camellia Invests. 1.875p
Chemring 4.9pcPf. 2.45p
Clark (Matthew) 7pcPf. 2.45p
Clay (Richard) 1.8327p
Davenports Brewery 5pcPf. 1.75p
Decca Ord. and A 3p
Dow Chemical 25cts.
Drake and Scull 3.5pcPf. 1.75p. Do 7pcPf. 3.5p
Dundee and London Invest. Tst. 5pcPf. 1.75p. Do Deb. 2½pc
EGA Hldgs. 0.5p
Electra Investment Tst. Deb. 3pc
Ellerman Lines 6.4pcPf. Ord. (non-cum.) 2.1875p
Do 4½pcGtd. Pf. (cum.) 1.575p
Do 5½pc Pf. (non-cum.) 1.925p
Estate House Invest. Tst. 1p. Do 3.36pcPf. 0.8275p. Do 4.2pcPf. 1.0356p. Do 5.04pcPf. 1.2427p. Do 5.46pcPf. 1.3463p. Do 6.72pcPf. 1.657p
Excalibur Jewellery 0.2358p
Fife Forge 2.14p
First Guernsey Secs. Tst. 1p
Fisons Deb. 6½pc
General Electrical and Mechanical Systems Deb. 3½pc
Goldman (H.) Ln. 4½pc
Heywood Williams Deb. 3pc
Howden Grp. Deb. 3½ and 4½pc
Home Hldgs. 7pcLns. 2½pc (Cnv.) 2½pc (Cnv.)
Investment Tst. Ln. 2½pc
Keelavite Hydraulics 6½pcPf. 2.275p
Land Secs. Invest. Trust Debs. 3½ (88-93) 3½pc
Lead Inds. 7pcPf. Ord. 2.45p
Liverpool Daily Post and Echo 4.088p
London and Holyrood Tst. Deb. 2pc
London Shop Property Tst. 0.875p
Lonrho Lns. 5½ (83-88) and 3½pc (84-89)
Lookers 1.375p
Marks and Spencer 10pcPf. 3.5p
Massey-Ferguson Ln. 3½pc
Montfort (Knitting Mills) 2.25p
NCR 20 cts.
Northern Foods Ln. 6.25p
Parkland Textiles 4.5pcPf. 1.575p
Photopia International 0.66p
Scottish and Newcastle Breweries Dbs. 3½ 3 and 3½pc
Sharpe (W. N.) Ord. and A 1.7016p
TransOceanic Trust Ln. 2½pc
Transamerica Ln. 16 cts.
Transatlantic Market Trust 34.42p
Triplus 20pcPf. 7p
Walker (James) Goldsmith and Silversmith Ord. and Non-Voting Ord. 1p
Western Mining Ord. 3 cts. New Ord. 1.5 cts.

DIVIDEND & INTEREST PAYMENTS—
Allied Farm Foods Db. 4pc
Allied Invsts. Ln. 5pc
Allied Manufacturing Trading Pf. 3½pc
Amber Day 0.6666p
Armour Tst. Ln. 5½pc (Priv. Cnv.) 5½pc (1991-96)
Associated Dairies 5½pcPf. 1.925p. Db. 5½pc
Associated Electrical Inds. Db. 3pc
Aveling Barford Db. 5½pc
Barlow Rand Pf. 3p
Bath and Portland 7½pcPf. 2.3125p. Ln. 5½pc
Beattie (James) Db. 3½pc
Bishopsgate Tst. Db. 3½pc
Boulton (Wm.) 8pcPf. 2.7625p
Br. Lux-American Tobacco 6pcPf. 2.1p
Brixton Estate Db. 3½pc
Burgess Products 6pcPf. 2.1p
Burmah Oil 6pcPf. (1st and 2nd) 2.1p. 8pcPf. 2.8p. 7½pcPf. 2.5375p
Castors 7½pcPf. 2.625p
Clutsom-Penn Intnl. Db. 3¼ 3½pc
Crowther (J. E.) 5½pcPf. 1.925p
Eastbourne 12¾pcBds. (Red. 3/5/78) 6⅜pc
Ellis and Everard Db. 3½pc
English Electric Db. 3½pc
English Property Cpn. 5¾pcPf. 2.0125p. Db. 4⅝pc. Ln. 3½ 6pc
Equity Consort Invst. Tst. 2½pc
FMC 4.4pcPf. 2.2p. 5.45pcPf. 2.725p
First Scottish American Tst. Db. 1⅞pc
Foreign and Colonial Invst. Tst. Ln. 3½pc
Gordon Hotels 5½pc Pf. 1.925p
Grand Met. Hotels (Scotland) 5pcPf. 1.75p
Guildhall Prop 6pc Pf. 2.1p
Hammersmith 9½pc Red. 1976-79 4¾pc
Heinz (H. J.) 4½pc Pf. 1.575p
Herbert (Alfred) Db. 3½pc
Huwood 7pcPf. 2.45p
ITT Distributors Db. 3½pc
Imperial Grp. Ln. 3.45, 3.75, 5.25pc
Jackson (William) 7½pc Pf. 2.625p
Jewson Sons Db. 2½pc
Johnson Matthey Db. 3½pc
London Shop Prop. Tst. 5½pc Pf. 1.925p. Ln. 3¼pc
London Tst. Dbs. 1¼ 2 2¼ (1978-83) 2¼ (1983-88)
Lonsdale Universal Ln. 4pc
Lowe (Robert H.) 4½pc Pf. 1.575p. 6½pc Pf. 2.275p
Macanie (London) Lns. 3¼ 3½pc
Marchwiel 7pc Pf. 2.45p
Marley Db. 3½pc
Matthews 7pc Pf. 2.45p
Menzies (John) Db. 3½pc
Metal Box Overseas 3.675pc Pf. 1.8375p
Metal Closures 6pc Pf. 2.1p
Miller Rayner Haysom 10pc Pf. 3.5p
Mills Allen 6½pc Pf. 2.275p. 6½pc Pf. 2.275p
Moorside Tst. 5pc Pf. 1.75p
Newarthill 8¼pc Pf. 2.8875p
North (James) Ln. 3½pc
N. American Tst. 3½pc Pf. 1.75p. Db. 1¼pc. Ln. 2½pc
Ponsins Db. 3½pc. Ln. 3½pc
Portsmouth Sunderland Nwspprs 8pc Pf. 2.8p
Radio Allied Db. 3½pc
Rank Org. Ln. 3⅛pc
Ranks Hovis McD. Ln. 3⅛pc
Ransome Hoffman Pollard Ln. 4pc
Rosedimond Invest. Income 7.9p
Samuel (H.) Dbs. 2½pc. 3½pc
Scottish Inv. Tst. Dbs. 2, 2¼, 2½ (Perp.), 2½pc (1975-80)
Shaw Carpets Db. 4½pc
Ship Mortgage Finance Db. 3pc
Southerns Evans Db. 4pc
Steinberg 5pcPf. 1.75p
Tate Lyle Db. £8.58
Thanet Inv. Tst. Deb. 4pc
Tozer Kemsley and Millbourn Loan 4pc
Triplevest Income 1.901p
Truman Db. 2pc
Trust Houses Forte Dbs. 3.125 (1984-89), 3.125 (1985-90), 3.625, 5.25pc. Ln. 4.05pc
Turner Curzon Ln. 8pc
Valor 5¼pcPf. 2.625p
Vaux Brews. 7pcPf. 2.45p. 4½pcAPf. 1.575p. 6½pcAPf. 2.275p
Waverley Cameron 6pcPf. 2.1p
Whittingham (W.) (Hldgs.) 7½pcPf. 2.625p. Loan 4pc

SATURDAY, APRIL 30

DIVIDEND & INTEREST PAYMENTS—
APV 4½pcPf. 1.575p. 5.25pcPf. 3.071p. 6½pcPf. 2.275p
Ayr 6½pc Red. 1976-79 3¼pc
Ayrton Saunders 7½pcAPf. 2.625p
Barbados 6½pc 1975-77 3¼pc
Bell and Sime 5pcPf. 1.75p
Birmingham 13pc Red. 1983 6½pc
Boulton and Paul 5½pcPf. 1.925p. 7pc Pf. 2.45p. 5pcPf. 1.75p
Bristol 3½pcPerp.Db. 1¾pc. 7¾pc Red. 1979-81 3⅞pc
British Electric Traction Db. 2¼pc
British Gas 3pc Gtd. 1990-95 1½pc
British Shoe 6½pcPf. 2.275p
Chase Manhattan Bank Cnv. Notes 2⅞pc
City and Intnl. Trust Db. 2½ and 2¼pc
City Investing 20cts.
Courage Dbs. 3½ and 3⅛pc
Dalgety Db. 2¼pc
Daniell and Sons Breweries Db. 2¼pc
Dominion and General Tst. 5pcPf. 1.75.
Ferranti 3.85pcPf. 1.925p
Furness Withy 5pcPf. 1.75p
Gossard 5½pcPf. 1.925p
Guaranteed 4½pcBds created under Nthn. Ireland Act (1925) Red. 2¼pc
Hardy's and Hansons 5pcPf. 7.75p. Db. 4pc
Inglis Db. 2½pc
Leeds Fireclay Db. 2pc
Lewis (John) Db. 4½pc
Londonderry Port and Harb. Commissioners. Port of Londonderry 3½pcCons. 1¾pc
McCaw Stevenson and Orr. 5pcPf. 1.75p
Montreal (C. of) 3pcPerm. 1½pc
Norwich 3pcRed. 1½pc
Nottingham 3pc 1½pc
Philips Furnishing Stores 6½pcPf. 2.275p
Ratcliff (Great Bridge) 1.0484p
Scottish Agric. Secs. 3½pcDb. 1983-93 1¾pc
Southwark 15pc Red. 1980-81 7½pc
Stock Exchange £4.25 Red. Anns. 2⅛pc
Sun Real Estates Db. 3½pc
Thetford 9pcBds. Red. 26/10/77 4½pc
Treasury Ln. 6¾pc 1995-1998 3⅜pc
Treasury 10½pc 1979 5¼pc
Tunnel 3.85pcPf. 1.925. 3.5pcAPf. 1.75p
Watney Mann and Truman Db. 3⅞pc. Lns. 2¾ and 4⅞pc
Whitbread 4½pc1stPf. 1.575p. 6pcPf. 2.1p. 7pcPf. 2.45p. Db. 2½pc
Wilson Peck 7½pcPf. 2.625p
Witan Investment Dbs. 2 and 2¼pc

[.tex in 1:50]

SHARE DISCLOSURES

CU has 8.8% of Trafalgar ordinary

Commercial Union's interest in Trafalgar House, the property, building and shipping group, is revealed as 14,086,520 Ordinary shares. This 8.8 per cent. stake is worth around £16.3m. at present market prices.

Hambros Bank and its subsidiaries hold between them over 5m. shares in J. H. Vavasseur Group, the financial services and investment management services organisation formed during 1974 out of a reconstruction of J. H. Vavasseur and Co., which got into trouble during the secondary banking crisis.

British Industrial Holdings: Greenbrook Securities holds 1,707,538 (20.43 per cent.) Ordinary shares.

Debenhams: Sun Alliance and London Insurance holds £112,500 (8 per cent. (4.35 per cent. net) cumulative "A" Preference shares (8.9 per cent.).

Bradwall (F.M.S.) Rubber Estate: M and G Group (Lombard Street) Nominees holds 200,000 (6.83 per cent.) shares.

Greenbank Industrial Holdings: Throgmorton Trust holds 763,691 (7.87 per cent.) Ordinary shares.

Kwik-fit (Tyres and Exhausts): Commercial Union Assurance holds 280,000 (5.61 per cent.) shares.

John I. Jacobs: Hambros Investment Trust holds 4,700,000 (10.4 per cent.) Ordinary shares.

Estate Duties Investment Trust: Prudential Assurance holds 261,506 (6.18 per cent.) shares and Legal and General Assurance holds 1,017,500 (6.95 per cent.) shares.

Benrose Corporation: Prudential Group holds 720,000 Ordinary shares (7.5 per cent.).

B. Cartwright Holdings: ITC Pension Trust jointly with ITC Pension Investments holds 151,250 Ordinary shares.

Fogler-Hattersley: Prudential Assurance holds 1,818,782 (6.2 per cent.) Ordinary shares.

Tribune Investment Trust: Lord Dudley, a director, announces that his wife has sold 1,000 Ordinary shares.

Barker: Mr. P. A. Aisher, a director, holds 5,560,115 Ordinary shares (mainly non-beneficial).

Smith St. Aubyn: Hambros Investment Trust beneficially sold 1,084,961 Ordinary shares.

Empress Services Holdings: Mr. J. F. Nash, J. F. Nash and Partners and Mr. L. R. Philby have sold their holding in Empress amounting to 20,000, 32,376 and 450,000 shares respectively, and no longer have any interest in the company.

Patani Para Plantations: Miss L. Ganthavee holds 7.83 per cent. Gedong Investments holds 8 per cent. and Lyander Investments holds 5.82 per cent.

Gedong Investments: Muar River Rubber holds 37,000 Ordinary shares (8.69 per cent.) and National Westminster Guernsey Trust account holds 60,750 Ordinary shares (9.59 per cent.).

Assam Frontier Tea: Royal Bank of Scotland Edinburgh Nominees JM Account holds 8,430 Ordinary shares (5.88 per cent.), Royal Exchange Trustee Nominees MI Account holds 10,000 Ordinary shares (5.32 per cent.), Strabil Nominees holds 9,300 Ordinary shares (5.59 per cent.) and W. T. H. Investments holds 93,800 Ordinary shares (9.98 per cent.).

Greens Economiser Group: The following directors have sold 7,500 Ordinary shares—Mr. S. Jewson, Mr. F. M. Copham, Mr. C. A. Lark-ing and Mr. D. H. Butters, Mr. H. Wagner and Mr. C. J. Probet, directors of a wholly-owned subsidiary of Green's, have respectively sold 6,000 and 18,000 Ordinary shares.

Bamfords: Frederick H. Burgess hold 4,284,212 Ordinary shares (57.1 per cent.).

Erith and Co.: John H. A. Coward and others (Erith family settlements) holds 242,506 (5.22 per cent.) Ordinary shares. ITC Pension Trust, jointly with ITC Pension Investments, holds 350,000 (7.53 per cent.). Tunnel Holdings holds 478,413 (10.3 per cent.) and Royal Exchange Trustee Nominees holds 160,000 in their MD Account and 200,000 in their MI Account, a total of 7.75 per cent.

Bridport-Gundry (Holdings): G. A. Gundry holds 475,942 (6.8 per cent.) beneficial and 91,719 non-beneficial (1.3 per cent.). Equitable Life Assurance 400,000 (5.7 per cent.) and Prince's Street Nominees holds 389,500 (5.5 per cent.).

Lucas Industries: Lucas Staff Pensions Trust holds 7,869,286 Ord. shares.

Wombwell Foundry and Engineering: Wincobank Foundry and Engineering holds 297,900 (27.39 per cent.) shares.

Airfix Industries: Norwich Union Insurance holds 1,544,000 (5.96 per cent.) Ord. shares.

Keystone Investment: Hume Holdings holds 309,600 (5.27 per cent.) Ord. shares.

R. H. Cole: New Throgmorton Trust holds 151,875 (5.31 per cent.) Ord. shares.

Glaxo Holdings: Mr. F. C. D. Back holds 146 Ord. shares.

Lyon and Lyon: ITC Pension Trust jointly with ITC Pension Investments holds 251,350 (7.85 per cent.) Ordinary shares.

Dunbar and Co.: Mr. L. C. N. Bury has beneficially purchased 1,500 Ord. shares.

Nottingham Manufacturing: Prudential Assurance holds 3,588,445 Ord. shares (6.92 per cent.).

W. H. Smith and Son Holdings: Prudential Assurance holds 1,112,235 "A" Ord. shares (7.87 per cent.).

Walter Duncan and Goodricke: Jokai Tea Holdings holds 249,636 (19.97 per cent.) shares.

Western Dooars Tea: Longbourne Holdings holds 108,685 (9.9 per cent.) Ord. shares.

Brunner Investment Trust: Commercial Union holds 980,000 (6.13 per cent.) Ord. shares.

Continental and Industrial Trust: Commercial Union Assurance holds £80,000 5½ per cent. cum. pref. stock (8 per cent.).

Broadstone Investment Trust: Commercial Union Assurance holds £30,000 5½ per cent. Cum. 2nd Pref. (6 per cent.) and First Scottish American Trust holds £26,000 5½ per cent. 2nd Cum. Pref. stock (5.2 per cent.).

Ashdown Investment Trust: Guardian Royal Exchange holds £56,713 (9 per cent.) Ord. shares. B. and I. Nathan: Mr. D. B. Thompson holds 203,140 Ord shares. Mr. L. C. N. Bury has beneficially purchased 1,500 Ord. shares.

Nottingham Manufacturing: Prudential Assurance holds 3,588,445 Ord. shared (6.92 per cent.).

W. H. Smith and Son Holdings: The Prudential Assurance holds 1,112,235 "A" Ord. shares (7.87 per cent.).

Aeronautical and General Instruments: Electra Investment Trust holds 100,000 (6.25 per cent.) Ordinary shares and Cable Trust holds 80,000 (5 per cent.).

Dreamland Group: Throgmorton Trust holds 300,000 Ordinary shares (5.6 per cent.).

Ambrose Investment Trust: Hume Holdings holds 730,000 (10.14 per cent.) Income shares and 384,950 (10.69 per cent.) Capital shares and Practical Investments holds 395,000 (5.49 per cent.) Income shares and 360,000 (10 per cent.) Capital shares.

George Boland: Catel Trust holds 224,500 shares, High Income Trust holds 407,500 shares and Clairmace holds 425,000 shares.

Western Canada Investment: Estates House Investment Trust holds 37,653 Ordinary shares and 12,355 4 per cent. Cumulative Preference shares.

Tricentrol: McGrath Investment Trust holds 210,000 Ordinary shares and Caledonia Investments holds 200,000 shares.

Norton and Wright Group: Throgmorton Trust holds 218,550 (7.79 per cent.) Ordinary shares.

LEP Group: Prudential Assurance holds 470,000 Ordinary shares (7.37 per cent.).

Bernard Matthews: Mr. B. T. Matthews has acquired 36,115 Ordinary shares.

Lee Cooper: Mr. H. C. Cooper, a director, has disposed of 429,335 shares and Mrs. D. Cooper has disposed of 170,465 shares. Mr. M. A. Cooper, a director, has acquired 300,000 shares and S. Cooper has acquired 300,000 shares.

Muar River Rubber: Barlow Boustead Estates agency holds 730,000 (10.5 per cent.) shares.

John Lewis: Prudential Group holds £112,000 5 per cent. First Cumulative Preference Stock 17.53 per cent.

P.M.A. Holdings: Mr. G. A. Naggar beneficially holds 210,000 (7.5 per cent.) Ordinary shares.

Portsmouth and Sunderland Newspapers: ITC Pension Trust jointly with ITC Pension Investments holds 425,000 Ordinary shares.

Bowthorpe Holdings: Prudential Group holds 2,582,451 (6.33 per cent.) Ord. shares.

United Newspapers: Legal and General Assurance beneficiary holds 371,500 (5.4 per cent.) Ord. shares.

Berry Wiggins: Cotham Finance holds 223,276 (25.16 per cent.) 10 per cent. Second Cum. Pref. shares.

Hugh Mackay: Mr. J. Mackay holds 271,040 Ordinary shares, Mrs. M. S. Mackay holds 362,000, Miss D. Mackay holds 284,100 and Walter Walker and Sons holds 286,150 Ordinary shares.

Polymark International: Prudential Group holds 240,163 Ord. shares and Mr. H. Blank has beneficially purchased 5,000 shares.

Moorgate Investment: City and International Trust holds 377,465 (8.1 per cent.) shares, General Consolidated Investment Trust, 363,211 (7.794 per cent.) shares and the Nineteen Twenty-Eight Investment Trust holds 267,000 (5.73 per cent.) shares.

London and Midland Industrials: Throgmorton Trust holds 483,331 Ord. shares (6.98 per cent.).

London Prudential Investment Trust: Commercial Union Assurance holds 375,000 (8.5 per cent.) Ord. shares and Sun Life Assurance holds 510,000 (8.5 per cent.).

Moorside Trust: Sun Life Assurance Society holds 561,358 Ord. shares (5.79 per cent.).

River Plate and General Investment Trust: Sun Life Assurance Society holds 696,740 Deferred shares (8.9 per cent.) and Commercial Union holds 530,000 Deferred shares (6.65 per cent.).

COMPANY NOTICES

NESTLÉ ALIMENTANA S.A.

Cham and Vevey (Switzerland)

THE 110TH ORDINARY GENERAL MEETING OF SHAREHOLDERS is to be held at 3.00 p.m. on Thursday, 12th May 1977, at the "PALAIS DE BEAULIEU" LAUSANNE (Switzerland).

AGENDA

1. Address by the Chairman of the Board of Directors.
2. Modifications of the Articles of Association.
3. Approval of the Accounts for 1976 and of the Annual Report.
4. Release from responsibility of the Board of Directors and of the Management.
5. Decision regarding the appropriation of the net profit.
6. Elections in accordance with the Articles of Association.

The owners of bearer shares may obtain their cards giving admission to the general meeting (with a proxy) at the Company's Transfer Office in Cham up to Monday 9th May 1977 at noon, at the latest. The cards will be delivered against the statement of a bank that the shares are deposited or upon deposit of the shares in the offices of the Company where they will remain blocked until the day after the general meeting.

The report Nestlé 1976 with the annual report of Nestlé Alimentana S.A. (comprising the Balance Sheet and the Profit and Loss Account, with comments, the Auditors' Report and the proposals for the appropriation of profits) as well as the proposals of the Board of Directors regarding the modifications of the Articles of Association are available as from 27th April 1977, to the holders of bearer shares at the Registered Offices at Cham and Vevey, and at the offices of the Paying Agents of the Company.

The holders of registered shares whose names are entered in the Share Register will, within the next few days, receive at their last address communicated to the Company, an envelope containing the Notice for the General Meeting, together with a form comprising an application for obtaining a card giving admission to such meeting as well as a proxy. On the other hand, the aforesaid Report and proposals will be despatched a few days later.

As a minimum number of shares are required to be represented at the General Meeting for changing the corporate name, the shareholders are requested to let another shareholder, a bank for example, represent them, or to send us a blank proxy. In this case we shall exercise the right to vote according to the Board of Directors' proposals.

Article 15 of the Articles of Association requires that a number of shareholders representing at least one half of the share capital be present in order to change the corporate name. However, according to the same article, when this quorum is not reached in a first General Meeting, a second General Meeting may be held immediately after the first, and thereat a decision shall be valid if taken by an absolute majority of the votes cast, without regard to the number of shares represented.

Therefore, in view of the possibility that the aforementioned quorum should not be reached, this notice also serves to convene the shareholders to an

EXTRAORDINARY GENERAL MEETING

which will be held on Thursday 12th May, 1977, immediately after the Ordinary General Meeting and at the same place, in order to decide on the alteration of the Articles of Association. The shareholders having attended the Ordinary General Meeting are also entitled to attend the Extraordinary General Meeting, the proxies conferred being valid for both meetings.

The shareholders are requested to address any correspondence concerning the General Meeting to the Transfer Office of the Company at Cham (Switzerland).

The Board of Directors.

Cham and Vevey,
25th April, 1977.

SUN ALLIANCE & LONDON
INSURANCE GROUP

Highlights from the Statement by the Chairman – Lord Aldington

Despite the increase in the Group's profits for 1976, the underwriting result is disappointing. A combination of unusual storm damage in the first two months followed by intense drought conditions has produced results which cannot be absorbed by a single year's underwriting.

The substantial loss on our Home Personal Account, due almost entirely to subsidence claims caused by the exceptionally dry summer, has been responsible for the overall underwriting loss. Although further subsidence claims are expected, action has already been taken to reduce significantly the impact of their cost on the Group's results in 1977. A useful underwriting profit was earned on the remainder of our Home business.

There have been improved results from a number of overseas areas including the USA where the loss has been reduced.

Our overall profit before taxation amounted to £37,836,000 compared with £35,582,000 in 1975 and the Directors have resolved to declare a final dividend of 9.245p per share.

Mr T. D. Barclay, who was the first Chairman of the Group from 1959 until 1968, Sir Edward Thompson, Colonel F. T. Davies and Sir Nicholas Cayzer will retire after the Annual General Meeting. We are grateful for their wise counsel over many years. Mr A. N. G. Dalton was appointed a Director in December 1976.

At the end of May Mr I. A. C. Greenwood will retire as our Chief General Manager. He will be succeeded by Mr Geoffrey Bowler. Mr H. P. Durant, General Manager of the Overseas Division, retired at the end of the year and has been succeeded by Mr R. A. G. Neville.

Home Fire
Opportunities for real expansion have been limited by the lack of industrial development and there has been intense competition for business, particularly from overseas insurers. In spite of the storm damage in January and a marked increase in other losses a satisfactory surplus has been earned.

Home Accident
Although there are now some encouraging signs of improvement in a number of classes this account was again in deficit.

Home Motor
The application of rate increases and action to improve the quality of the portfolio have brought this account into profit. Further increases in premium levels are inevitable to meet the higher cost of repairs and compensation awards.

Home Personal
In addition to subsidence claims, for which payments and outstanding estimates amount to £13.6m, the January storms brought net claims of £2m while buildings and contents claims costs have increased sharply.

Our efforts to reduce under-insurance are meeting with some success but there are still too many cases which cause problems for us and disappointment to our customers.

Engineering
In spite of the increase in repair costs and expenses there has been a return to profitability by the National Vulcan after the loss sustained in 1975.

Life
Our programme to establish fourteen specialist Life branches in the United Kingdom was completed and, together with our Composite branches, they produced a record volume of new business.

The first annual bonus declaration of the Life Fund of Sun Alliance and London Assurance Co. Ltd. was made as at 31st December 1976. Of the distributable surplus for the year of £12.1m. 90% has been allocated to policy holders. The contribution to Profit and Loss was £2,096,000 compared with £1,577,000 in 1975.

Although we have made good headway in approaching those who have pension schemes with us, in connection with the latest State Scheme, progress in obtaining the vital decisions is slow and there are clear signs that there will be difficulties towards the end of 1977 with intense pressure to complete the formalities for those schemes to be contracted-out in April 1978.

Reinsurance
The results are presented one year in arrears for the larger part of the account and by comparison with 1974, Fire business showed a much improved result but there was a deterioration in the Accident Account. Overall there has been an increase in the profit earned.

Summary of Results

	1976 £000	1975 £000
Premium Income—Fire, Accident and Marine	426,126	348,258
Underwriting Transfers:		
Fire and Accident	−11,019	−454
Marine, Aviation and Transport	—	—
Long-term Insurance Profits	2,139	1,588
Investment Income	46,709	34,408
Other Income, including Trustee Fees	138	179
	37,967	35,721
Less Loan Stock Interest	131	139
Profit Before Taxation	37,836	35,582
Less U.K. and Overseas Taxation	15,931	15,880
Profit After Taxation	21,905	19,702
Less Minority Interests	142	178
Profit Attributable to Shareholders	21,763	19,524
Cost of Dividends	8,896	8,088
Profit Retained	12,867	11,436
Earnings per Share	44.14p	42.98p

The Annual General Meeting of Sun Alliance and London Insurance Limited will be held on 18th May 1977 at the Head Office, Bartholomew Lane, London EC2N 2AB.

Marine
The 1974 account has been a difficult one but after a full review of our Marine Fund, it has been found unnecessary to make any transfer from Group profit. At the end of the year the Fund represented 143.1% of premium income compared with 138.3% at the end of 1975.

It is unfortunate that losses at sea have reached a record level. Underwriters in the London market and overseas will need to take a much more realistic approach if there is to be any prospect for a lasting improvement in the hull account.

Overseas excluding North America
The overall profit from this important section of our business has been maintained. A larger profit has been achieved in Australia but there was a substantially increased loss in New Zealand.

South Africa has been undergoing a period of economic stagnation and our business has also suffered from a number of major fires and some serious storms. Consequently there was quite a severe underwriting loss for 1976.

In Europe profitable results have been produced from France and Spain, and from Denmark although the outcome there has been less favourable. In Belgium there has been some improvement although the account is still in deficit and there have been underwriting losses in Germany and Holland.

The International Department handling overseas business written in London produced an encouraging profit.

North America
In the United States there has been a further reduction in the non-marine losses from $4.7m in 1975 to $4.3m. Our Managers, Chubb & Son Inc., are taking firm action to reduce exposure in the difficult workmen's compensation and liability accounts.

There has been a further improvement in Canada despite heavy losses from the windstorm in the Maritime Provinces early in the year. We are concerned by the seemingly quite unreasonable restrictions imposed by the Canadian Government's Anti-Inflation Board which appear to mean that insurance in Canada must be transacted at an underwriting loss. We hope that this important country will not force its insurance business to operate on an unsound basis.

Investment
A very satisfactory increase in investment income from £34.4m to £46.7m was obtained. For much of the year the British economic scene was dominated by the sluggishness of the world economic recovery, the weakness of sterling and the continued high rate of inflation. There were substantial fluctuations in the UK stock market through the year although at year end the overall falls were modest. These were offset by exchange appreciation and improvement in some overseas markets so that there was no significant change in the surplus, now £116m and £70m, over book values shown by the assets of the General and Life Funds respectively.

Property
The demand for prime property investments continued throughout the year. Investment yields declined and all the trends which developed in the latter half of 1975 extended into and throughout 1976. Income from our property investments has increased significantly as a result of rent reviews.

Conclusion

It is necessary and right for me to repeat that so long as any material level of inflation lasts an insurance company must seek to meet higher claims by higher premium income. I cannot over-emphasise the need for adequate premiums to be obtained for the risks that we accept. If we are to maintain a high solvency margin, now estimated to be better than the 62% at the end of 1976, we must earn the necessary profits. Regrettably, British inflation is still a long way above that of other competing industrial countries. Moreover, until stability is restored to our own and to the world's economies and currencies there will be difficulties in maintaining the proper relationship of our reserves to our expanding premium income. These difficulties we share with the worldwide insurance industry. Until these things are put right there will remain a danger that the capacity of the international insurance market will contract and its ability to offer terms for the larger and more hazardous classes of business will be lessened.

Insurance companies exist to provide help when the unexpected happens. We must not complain because the driest summer for more than two centuries has caused us unusually heavy claims. But these heavy losses serve to emphasise the need in good years for substantial additions to reserves from adequate profits so that the cost of catastrophes can be met.

Our staff all over the world have worked loyally and well throughout the year and I thank them. They have tackled their problems with much efficiency. They well understand that an insurance business may have downs as well as ups, and they understand too how to restore an account to profit.

Finally I record my appreciation of the leadership given by Mr Greenwood as Chief General Manager. Happily he will remain a member of the Board and we share his confidence in Mr Bowler who succeeds him.

FT GROCERY INDEX

Detergent and paper tissues head this month's price rises

BY STUART ALEXANDER

THE FINANCIAL Times Grocery Prices Index rose by a further 1.03 per cent. in April, pushing the index up by 2.65 points to 258.92. In April last year the index was 223.43, a rise of 16.4 per cent. year on year, and making the rise this year 5.75 per cent.

Rises were spread through the shopping basket though the non-food sector, which takes in detergents and household paper tissues, went up by a disproportionate 3.53 per cent. mainly as a result of increases in the price of washing powders.

Although butter is more stable in price, margarine rose up to 3p a pound. Eggs varied from 4p a dozen down to 10p a dozen up.

Coffee prices are more stable, but the predicted rises in the price of tea began and there were rises of up to 5p a quarter and 6p on a 72-bag pack of tea bags.

Frozen foods were up slightly above the average at 1.62 per cent., but predictions of severe shortages in lines such as broad beans have yet to be justified.

Birds Eye has very few broad beans left, as have one or two of the canners, but Bejam said last week that it had plentiful supplies in cold stores.

There were also fears for peas, green beans and chips, but imports have made up the deficit and few retailers have run out.

There was hardly any change in fresh fruit and vegetable prices but taking the sector as a whole, there were some sharp individual moves with carrots and bananas going up and lettuces down. Potatoes were either the same price or slightly down, and tomatoes were largely unchanged. Cabbage was generally higher in price.

Meat prices were also variable, except for ham, which was stable. Bacon prices were varied as some of the spring offers came to an end. The price of neck of lamb probably dropped because of a switch to New Zealand.

Chicken was up in price though there was a fluctuation of 17½p up in one area and 18p down in another for a 2½ lbs bird.

Bread prices

Bread prices were stable, but there is likely to be another round of increases next month because the big bakers have lodged applications for increases of 1p on a large loaf and ½p on a small.

The general trend, however, is encouraging. April was the fifth month in succession in which the year on year increase was down.

The annual rise of 17.25 per cent. would be well in line with earlier predictions made by the Food Manufacturers Association and compares with the 21.2 per cent. increase in the [illegible] recorded last year.

FINANCIAL TIMES SHOPPING BASKET

	April £	March £
Dairy Produce	134.89	133.9[illegible]
Sugar, Tea, Coffee, Soft Drinks	72.41	71.4[illegible]
Bread, Flour, Cereals	80.20	79.[illegible]
Preserves and Dry Groceries	27.37	26.5[illegible]
Sauces and Pickles	13.93	13.[illegible]
Canned goods	47.10	47.6[illegible]
Frozen foods	40.62	39.9[illegible]
Meat, Bacon, etc. (fresh)	171.83	169.1[illegible]
Fruit and Vegetables	123.27	123.[illegible]
Non-Foods	53.63	51.8[illegible]
Total	765.25	757.[illegible]

INDEX:

1971: Feb. 100; Mar. 101.09; April 102.73; May 105.75; June [illegible] July 107.34; Aug. 105.40; Sept. 105.26; Oct. 104.35; Nov. [illegible] Dec. 108.26.

1972: Jan. 109.18; Feb. 109.10; Mar. 109.24; April 108.84; May [illegible] June 115.97; July 111.97; Aug. 113.40; Sept. 112.14; Oct. [illegible] Nov. 11: 114.8; Nov. 18: 114.49; Nov. 25: 114.72; Dec. 2: [illegible] Dec. 9: 114.75; Dec. 16: 115.77.

1973: Jan. 117.56; Feb. 119.25; Mar. 120.53; April 123.80; May [illegible] June 128.81; July 127.64; Aug. 126.59; Sept. 129.39; Oct. [illegible] Nov. 135.83; Dec. 138.26.

1974: Jan. 141.41; Feb. 141.52; Mar. 142.66; April 8: 143.23; Ap[illegible] 142.64; May 145.17; June 147.97; July 146.22; Aug. 145.25; 147.6; Oct. 150.5; Nov. 156.39; Dec. 159.15.

1975: Jan. 162.84; Feb. 167.77; Mar. 173.50; April 178.49; May [illegible] June 193.02; July 188.45; Aug. 189.23; Sept. 186.64; Oct. [illegible] Nov. 194.78; Dec. 201.90.

1976: Jan. 208.33; Feb. 211.81; Mar. 216.60; April 222.43; May [illegible] June 222.82; July 216.71; Aug. 221.34; Sept. 230.34; Oct. [illegible] Nov. 241.53; Dec. 244.82.

1977: Jan. 251.03; Feb. 253.94; March 256.27; April 258.92.

FT SURVEY OF CONSUMER CONFIDENCE

Inflation-hit buyers confident about future, post-Budget inquiry shows

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

QUESTIONED in the week after the Budget, consumers were more confident about their future prospects than they had been the month before. But, at the same time, they felt even worse hit by inflation than they had done in March and were less enthusiastic about the advisability of making major purchases for the house.

These are main findings of the latest survey of consumer confidence carried out by the British Market Research Bureau. The research was carried out between March 31 and April 6—a week in which consumer confidence was, on the one hand, probably being depressed by the British Airways engineers' strike while on the other hand being buoyed by the Chancellor's hint that mortgage rates might be cut. The Budget, on March 29, must have led to a change in consumers' feelings about the future.

On balance, consumers were feeling markedly more confident at the beginning of this month than they had been in early March. Nine per cent. of the sample thought the general economic condition of the country was improving, compared with 7 per cent. last month. The monthly index for consumer confidence showed a sharp rise which took it back to just above the February level.

In the latest survey, pessimists outweigh among all adults optimists by 11 per cent. compared with 23 per cent. in March and 12 per cent. in February. This is the highest proportion of optimists since last July when the optimists briefly almost equalled those expecting things to get worse.

The recovery was due mainly to the brighter view of the future being taken by professional men and women and the wives of salary earners—in this category there is now a tiny balance of optimists—and men in blue-collar jobs. Working class women remained unconvinced that things were going to improve.

As a result of this upturn in confidence, the six-monthly moving average figure for future confidence among all adults showed an improvement though it is still well below last April's level. The six-month figure for ABC1 men showed a slightly bigger rise as these men are much more confident about the future now than they were seven months ago.

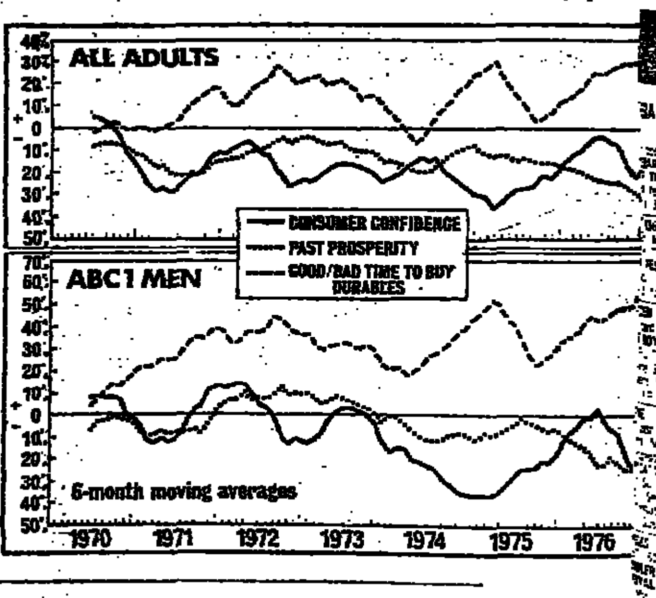
Against this more cheerful picture, the index measuring whether people feel worse or better off compared with a year ago again fell to a record low. The index has been declining steadily since the beginning of the year and, in the latest survey, the proportion of respondents feeling worse off outweighed those feeling better off by 50 per cent. This compared with 47 per cent. in March and 26 per cent. this time last year. The fall was due mainly to the views of men in manual jobs. Paradoxically, the C2DE women felt better off compared with a year ago than they did in March while ABC1 women felt worse off, despite the fact that the views of men from the same background had shown no change since March.

As a result of this decline in the monthly figures, the six-month moving averages declined again to new lows, indicating the sustained squeeze on earnings.

The proportion of all adults thinking it a good time to buy consumer durables fell, although this decline masked an increase in the proportion of ABC1 men considering it a good time to buy.

Among all adults, the proportion of respondents thinking it was a good time to buy consumer durables outweighed [illegible] thought it was not by 23 per cent. compared with 27 per cent. in March and 39 per cen[illegible] January. This brought a [illegible] the six-month moving ave[illegible] index, which was moving [illegible]wards fairly steadily throug[illegible] last year and reached a [illegible] point in January of this ye[illegible]

The six-month moving ave[illegible] index for ABC1 men sh[illegible] another increase, reflecting the fact that more of these thought April was a better [illegible] to spend money than M[illegible] Among these respondents, [illegible] was a positive balance of 2[illegible] cent. who thought it was a [illegible] time to make major purch[illegible]



Boost to Irish ferry link

By Our Shipping Correspondent

P & O is to add a third freight-only ferry to boost capacity on the Pandoro fully integrated roll-on/roll-off services linking Fleetwood with Larne and Dublin.

The new vessel, which will be chartered pending delivery of a new class of ro-ro ferry next year, is expected to carry heavy loads and hazardous cargo.

Olau-Line has now resumed its services between Sheerness and Dunkirk which were suspended during negotiations with the French seamen's union.

British Rail chief praises unions

BRITISH RAIL'S productivity achievements are "unmatched by any other industry in Britain," Mr. Peter Keen, chief passenger manager, has said.

Between 1950 and 1973 the workload fell by 23 per cent.—while the workforce was reduced by 57 per cent., and in the past two years the staff has been reduced by 14,000 to its present 182,000.

"All this was achieved with the co-operation of the three rail unions and without any serious industrial problems. It is an achievement unmatched by another industry in Britain," said Mr. Keen at a meeting of the National Association of Rail Passengers in London at the week-end.

Referring to a report by the Railway Rescue group criticising manning levels, Mr. Keen said another 40,000 could be cut from the workforce by 1981.

Coke convey[illegible] cost £400,000

A HIGH-SPEED conveyor s[illegible] for the shipment of coke [illegible] be installed by the British T[illegible] port Docks Board at Barry, Wales, at an estimated c[illegible] £400,000.

The decision comes [illegible] agreement between the [illegible] board and National Smo[illegible] Fuels, a subsidiary of [illegible] National Coal Board, which [illegible] three coking plants at [illegible] Caedely and Nantgarw. Na[illegible] Smokeless Fuels plans to [illegible] worldwide at least 500,000 t[illegible] of coke and breeze/fines th[illegible] Barry over the next five [illegible]

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Food Manufacturing & Machinery Ex. (cl. Apr. 30)	Nat. Exbn. Centre, B'ham.
To-day	Small Part Production Exhibition (cl. Apr. 29)	Nat. Exbn. Centre, B'ham.
To-day	Int. Fire Security & Safety Exbn. (cl. Apr. 29)	Olympia
Apr. 26—29	Electronic Production Equipment Exhibition	U.S. Trade Center, W.1
Apr. 28—May 6	Foundry 77 Exhibition	Nat. Exbn. Centre, B'ham.
May 1—4	Incentive Marketing and Sales Promotion Exbn.	Metropole Centre, Brighton
May 10—12	National Word Processing Exbn. and Conf.	Cunard Int. Hotel, W.6
May 12—14	EIA Engineering Exhibition	Norwich
May 13—15	International Air Fair	Biggin Hill
May 15—18	Int. Confectionery, Tobacco & Newsagency Exbn.	Olympia
May 16—20	Telecommunications Equipment Exhibition	U.S. Trade Center, W.1
May 16—21	International Mechanical Handling Exbn.	Nat. Exbn. Centre, B'ham.
May 17—20	London Electronic Component Show	Olympia
May 17—20	Italian Gifts & Fancy Goods Exhibition	Italian Trade Centre, W.1
May 17—20	International Drawing Office & Graphics Ex.	West Centre Hotel, S.W.6
May 24—26	National Safety Exbn. & Conf.	Harrogate
May 24—27	Int. Domestic Electrical Appliances Trade Fair	Nat. Exbn. Centre, B'ham.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Apr. 30—May 15	International Trade Fair	Paris
May 3—5	Offshore Technology Exhibition & Conference	Houston
May 10—12	Compec Europe '77—Computer Exbn.	Brussels
May 10—13	Clothing Textiles Trade Fair	Frankfurt
May 13—22	International Agricultural Fair	Novi Sad
May 27—June 5	International Padua Fair	Padua

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Apr. 26	Association of Certified Accountants: Financial Modelling in Industry	Great Eastern Hotel, E.C.2
Apr. 26—27	Professional, Business & Industrial Management Studies: Cash & Credit Control	21, Montagu St., W.1
Apr. 26—27	Lenorfern: Cost Effective Print in Marketing	76, Mark Lane, E.C.3
Apr. 27	Industry & Business Analysis: Company Pension Policy	Grosvenor House, W.1
Apr. 27—28	Clothing Institute: The Formula for Success—A Total Strategy for Clothing Manufacture and Marketing	Heathrow Hotel
Apr. 28	European Study Conferences: Regional Weightings and Allowances	Inn on the Park, W.1
Apr. 28	CBI: Opportunities for Trade & Investment in French Speaking Africa	21, Tothill Street, S.W.1
Apr. 29	Investment & Property Studies: Tax Planning for Trusts	Royal Lancaster Hotel, W.2
May 4—5	Association of Mining, Electrical & Mechanical Engineers: Extraction, Transportation and Utilisation of Mineral Resources	Wilmslow, Cheshire
May 4—6	Seminar Services International: Tax Planning Conference	Montreux
May 5	Business Scotland: The Implications of Devolution or Independence for Business in Scotland	Albany Hotel, Glasgow
May 5—6	Business & Industrial Training: Vehicle Recovery	Wembley Conf. Centre
May 8—11	International Association of Financial Executives—World Congress	Dublin
May 9—11	The Review: Arab Insurance '77	IEE, Savoy Place, W.C.2
May 9—12	Inbucon: Improving Industrial Relations	St. Andrews, Fife
May 10—11	Arabian Marketing Research: Building, Construction and Civil Engineering in Arabia	Café Royal, W.1
May 11	Junior Chamber of Commerce for London: Finance to Latin America	Cumberland Hotel, W.1
May 11	Marchmont Conferences: The 1977 Finance Bill explained	Inn on the Park, W.1
May 11—12	Financial Times: Tax, The Finance Bill and Britain's Prospects	Royal Lancaster Hotel, W.2
May 12	Legal Studies & Services: Rent Reviews Problems	Inter-Continental Hotel, W.1
May 16—18	World Trade Institute: Doing Business in the United States	World Trade Centre, E.1
May 16—20	P-E Consulting Group: Production Management	Training Centre, Egham
May 16—20	Abraxas: Synetics-Innovative Skills	68, Churchway, N.W.1
May 18	Staniland Hall Associates: Economic Forecasting & Business Planning Models	Carlton Tower Hotel, S.W.1
May 19	The Henley Centre for Forecasting: Energy Costs—Forecast for the next decade	Carlton Tower Hotel, S.W.1
May 19	Wheatland Journals: Asbestos Removal	London Tara Hotel, W.8
May 23—25	Brunel University: Investment for Production	Uxbridge
May 24	Institute of Purchasing & Supply: Chemical Purchasing in To-day's Economic Climate	Sudbury House, E.C.1
May 24—25	Institute of Chartered Accountants: Implementing Current Cost Accounting	Newcastle
May 24—26	European Association for Industrial Marketing Research: Annual Conference—New Patterns of Int. Trade & Impacts on Marketing Research	Helsinki
May 26	P-E Consulting Group: Solving Problems by Simulation	London
May 26—27	Financial Times, The Banker, Forex Research: The Management of Foreign Exchange Risks	Dorchester Hotel, W.1

This week's business in Parliament

TO-DAY

Commons: Conclusion of debate on the White Paper on Direct Elections to the European Assembly. Motions on the European Communities (Definition of Treaties) Orders.
Select Committees: Expenditure—Education, Arts and Home Office sub-committee. Subject: Attainments of the school-leaver. Witnesses: Association of Polytechnic Teachers, Association of Careers Teachers. (4.15 p.m. Room 13).

TO-MORROW

Commons: Debate on mobility of the disabled. Motion on the Local Loans (Increase of Limit) Order. 7 p.m. Opposed private business.
Lords: Marriage (Scotland) Bill, Commons Amendments. New Town Scotland Bill, committee. Road Traffic Seat Belts Bill, second reading. Debate on UN Law of the Sea conference.

WEDNESDAY

Commons. Price Commission Bill, second reading. Motion on EEC documents on direct life assurance.
Lords: Agriculture debate.
Select Committee: Nationalised Industries sub-committee B. Subject: British Steel Corporation. Witness: Secretary of State for Industry (10.45 a.m. Room 8).

THURSDAY

Commons: Finance Bill, second reading. Motion on Southern Rhodesia (United Nations Sanctions) Order.
Lords: Rent Bill (Consolidation), second reading; Statute Law Appeals Bill, third reading; Merchant Shipping Safety Convention Bill, third reading; Patents Bill, report stage; Otter Hunting Regulation Bill, second reading; debate on lighter than air transport.

FRIDAY

Commons: Private Members' Bills.

Sales 10% up at John Lewis

SALES last week in the John Lewis partnership department store and specialist shops were nearly £4m., a 10.3 per cent. increase over the similar week last year.

Waitrose, the partnership's food group, had sales of about £2.7m., a reduction of 8.3 per cent. on the corresponding week last year—which was Easter week and a peak buying period.

Total sales were about £6.7m., an increase of 1.7 per cent. on the similar week last year. Sales for the 11 weeks to April 16 were up 21.8 per cent.

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. 01-836 3161. (Credit Card bookings 01-240 5258) BEJART and the BALLET OF THE 20th CENTURY Last perfs A few seats still available Today at 3 and 8 OUR FAUST.

COLISEUM. 01-836 3161. Opens Tomor. Eves. 7.30. Sat. Mat. April 30 at 3.00. Sat. Mat. May 7 at 2.45. LONDON FESTIVAL BALLET Tomor. to Sat.: The Golden Cockerel, Etudes. May 2 to 7: Sleeping Beauty.

COVENT GARDEN. 240 1066. (Gardencharge-credit card booking 836 6903.) THE ROYAL OPERA Tonight and Fr., 7: Faust. Tomor. 7.30: Tosca. Wed. and Sat. 7.30: La Traviata. 65 Amphi seats for all perfs. on sale from 10 a.m. on day of perf.

GLYNDEBOURNE FESTIVAL OPERA. May 31 to August 7. Booking opens for personal callers May 2, by telephone May 3. Glyndebourne, Lewes, Sussex. Tel.: 0273 812411 and Ibbs & Tillett, 124, Wigmore St., London, W.1. Tel.: 01-935 1010. Send foolscap s.a.e. for schedule: Information Office, Glyndebourne, Lewes, Sussex.

SADLER'S WELLS TH. Rosebery Ave. EC1. 837 1672. From Tomor. SADLER'S WELLS ROYAL BALLET Eves. 7.30: Mat. Sats. 2.30: Tomor. (Gala perf. a few tickets still avail. at £4.) Wed. Thurs. Raymonda Act III, The Court of Love, Checkmate. Fri. and Sat. The Four Temperaments, Prodigal Son, The Lady and the Fool.

THEATRES

ADELPHI THEATRE. 01-836 7611. Evgs. 7.30. Mats. Thur. 3.0. Sats. 4.0. IRENE "LONDON'S BEST NIGHT OUT. SPECTACLE, CAPTIVATING TUNES AND RACY COMEDY." People. IRENE "SLICK, SUMPTUOUS—THE MUSICAL IRENE HAS EVERYTHING." D. Express. IRENE INSTANT CONFIRMED CREDIT CARD BOOKINGS ON 01-836 7611.

ALBERY. 836 3878. Evenings 8.00. Sat. 5.00. 8.15 sharp. National Theatre Production EQUUS by PETER SHAFFER Directed by John Dexter "STUNNING AND COMPELLING." Std.

ALDWYCH. 836 6404. Inf. 836 5332. ROYAL SHAKESPEARE COMPANY in repertoire. No perfs. until 2 May but now booking for Shakespeare's KING LEAR and David Edgar's DESTINY Box Office open daily 10.00 to 8.00. RSC now at Piccadilly Theatre in WILD OATS

AMBASSADOR'S. 836 1171. Evgs. 8.00. Tues. 2.45. Sat. 5.30. 8.30 Seats £1.75 to £3.50 or Dinner-Top price seat £6.30. NIGEL PATRICK, PHYLLIS CALVERT in DENIS CANNAN'S DEAR DADDY "THE MOST SUBSTANTIAL NEW PLAY IN TOWN." Observer. PLAY OF THE YEAR (Society of West End Theatres Award '76)

APOLLO. 01-437 2663. Evenings 8.0. Mat. Thurs. 3.0. Sat. 5.0 and 8.30. JOHN MILLS, JILL BENNETT, MARGARET COURTENAY, ROSE HILL, RAYMOND HUNTLEY, AMBROSINE PHILPOTTS and ZENA WALKER in TERENCE RATTIGAN'S SEPARATE TABLES Directed by MICHAEL BLAKEMORE "THEATRICAL MAGIC." S. Express.

BROADWAY. Maida Vale, Kilburn. 328 3490. LINDSAY KEMP from May 2. SALOME NOW BOOKING

CAMBRIDGE. 836 6056. Mon.-Thur. 8. Fri., Sat. 5.15 and 8.30. IPI-TOMBI "PULSATING MUSICAL." Evg. News. 2nd GREAT YEAR Dinner-Top price seats £7.50 incl.

COMEDY. 01-930 2578. Evenings 8.00. Mats. Thurs. 3.00. Sats. 5.30 and 8.30. Winner of all 1975 Awards BEST PLAY OF THE YEAR HYWEL BENNETT in Simon GRAY'S OTHERWISE ENGAGED Directed by Harold PINTER

CRITERION. 930 3216. (Credit Cards) Evgs. 8.00. Sats. 5.30. 8.30 Thur. 3. "ALL ABOARD FOR LAUGHTER" (Sunday Mirror) with LESLIE PHILLIPS and "a delightful company." D. Tel. SEXTET "FILLS THE THEATRE WITH SUNSHINE." Daily Telegraph. "The audience eats it up." F. Times. "VERY FUNNY." Sun. Telegraph.

DRURY LANE. 01-836 8108. Evenings 8.0 sharp. Matinees Wed. and Sat. 3.0. A CHORUS LINE "VOTED BEST MUSICAL OF 1976."

DUCHESS. 836 8243. Evenings 8.00 Fri. and Sat. 6.15 and 9.00. OH! CALCUTTA! "The Nudity is Stunning." D. Telegraph. 7th SENSATIONAL YEAR

DUKE OF YORK'S. 01-836 5122. Evgs. 8.0. Fri., Sat. 6.0 and 8.45. TERRY SCOTT, ANNA DAWSON, DENNIS RAMSDEN, LYNDA BARON BEDFULL OF FOREIGNERS "GENUINELY HILARIOUS" Gdn. Seats from £1.50 to £3.00 also Dinner-Top price seat £6 incl. NOW IN 2nd SIDE-SPLITTING YEAR

ELLE et LUI. 01-437 2661 [illegible]

FORTUNE. 836 2238. [illegible] AVRIL ANGERS [illegible] AGATHA CHRISTIE'S MURDER AT THE VICARAGE [illegible]

GARRICK THEATRE. 01-836 4601. [illegible] RICHARD BECKINSALE [illegible]

GLOBE. 01-437 1592. [illegible] THE BEST COMEDY OF THE YEAR [illegible] ANNA [illegible]

GREENWICH. [illegible] FRANK [illegible]

HAYMARKET. 930 9832. [illegible] Christopher GABLE [illegible]

HER MAJESTY'S. 930 6606. [illegible] SHARP. [illegible]

KING'S ROAD THEATRE. 352 7488. [illegible] THE ROCKY HORROR SHOW NOW IN ITS 4th ROCKING YEAR

LYRIC. 01-437 3686. [illegible] JUDY CORNWELL [illegible]

LYRIC THEATRE. OPENS WED. MAY 4 [illegible] CELIA JOHNSON [illegible] ALAN WEBB [illegible]

MAY FAIR. 01-629 3036. [illegible] "A FUNNY, SPARKLING & VIVACIOUS PLAY." [illegible]

MERMAID. 248 7656. [illegible] COLE PORTER [illegible]

NATIONAL THEATRE. 928 2252. OLIVIER [illegible] LYTTELTON [illegible] COTTESLOE [illegible]

OLD VIC. [illegible] JUBILEE [illegible] PROSPECT [illegible]

PALACE. 01-437 6834. JESUS CHRIST SUPERSTAR [illegible]

PALLADIUM. 01-437 7373. [illegible] MIKE [illegible]

PHOENIX THEATRE. 01-836 8611. [illegible] "SEXY" [illegible]

PICCADILLY. 437 4506. [illegible] ROYAL SHAKESPEARE COMPANY [illegible] "DAZZLING" [illegible]

PRINCE OF WALES. 01-930 8681. [illegible]

QUEEN'S. 01-734 1166. [illegible]

RAYMOND REVUEBAR. 01-734 1593. [illegible] THE FESTIVAL OF EROTICA [illegible]

REGENT. [illegible] LET MY PEOPLE COME [illegible]

ROUND HOUSE. 267 2564. [illegible]

ROYAL COURT. 730 1745. [illegible]

SAVOY. 836 8888. [illegible] ROBERT MORLEY [illegible]

SHAFTESBURY. 01-836 6596-7. [illegible]

SHAW. 01-388 1394. [illegible]

STRAND. 01-836 2660. [illegible] NO SEX PLEASE—WE'RE BRITISH [illegible]

ST. GEORGE'S ELIZABETHAN THEATRE. [illegible]

ST. MARTIN'S. 836 1443. [illegible] AGATHA CHRISTIE'S THE MOUSETRAP [illegible]

TALK OF THE TOWN. 01-734 5051. [illegible]

THEATRE UPSTAIRS. 730 2554. [illegible]

VAUDEVILLE. 836 9988. [illegible]

VICTORIA PALACE. 834 1317. [illegible]

WESTMINSTER. 01-834 0283. [illegible]

WHITEHALL. 01-930 6692. [illegible]

WINDMILL THEATRE. 437 6312. [illegible]

WYNDHAM'S. 836 3028. Mon.-Fri. 8.00. Sat. 5.15 and 8.30. Maggie Fitzgibbon, Gay Soper, David Firth and Robin Ray in the "BRILLIANT MUSICAL ENTERTAINMENT." People SIDE BY SIDE BY SONDHEIM "GO TWICE." S. Morley, Punch. "GO THREE TIMES." C. Barnes, N.Y.T.

YOUNG VIC (by Old Vic). 928 6363. Thur., Fri., Sat. 7.45. Sun. May 1 at 7. May 2 to 28 Evs. 7.45. Sats. 3 & 7.45. JOINT STOCK in Barrie Keeffe's A MAD WORLD, MY MASTERS.

CINEMAS

ABC 1 AND 2 SHAFTESBURY AVE. 836 8861. Sep. Perfs. ALL SEATS BKBLE. 1: A STAR IS BORN (AA). Wk. and Sun.: 2.00. 5.10. 8.10. 2: BEN HUR (A). Wk. and Sun.: 2.00. 6.45 (last 3 days).

CASINO. Old Compton Street. 437 6877. BATTLE OF MIDWAY (A) IN SENSUROUND. Progs. Weekdays and Sun. at 2.15. 4.45. 7.50. All seats £2.

CURZON, Curzon Street, W.1. 499 3737. Lina Wertmuller's SEVEN BEAUTIES (X). (English subtitles.) Daily at 2.0 (not Sun.). 4.05. 6.15. 8.30

LEICESTER SQUARE THEATRE (930 5252.) ROCKY (A). Sep. progs. Dly. 1.10. 4.30. 8.00. Seats bkble for 8.00 prog. Mon.-Fri. and all progs. Sat. and Sun. except late night shows

ODEON MARBLE ARCH. (723 2011/2.) THE PINK PANTHER STRIKES AGAIN (U). Sep. progs. Wk. 2.15. 5.30. 8.30. All seats bkble.

PRINCE CHARLES. Leic. Sq. 437 8181. Final Weeks! Richard Dreyfuss, INSERTS (X). Sep. Perfs. Dly. (inc. Sun.) 2.45. 6.15. 9.00. Late Show Fri. and Sat. 11.45. Seats Bkble. Lic'd. Bar.

SCENE 4. Leic Sq., Wardour St. 439 4470. Cont. perfs. daily 1.05. The Original EMMANUELLE (X). Progs. 1.05. 3.40. 6.15. 8.50 Late show Fri. & Sat. 11.25

STUDIO 1, Oxford Circus. 437 3300. Special Lunchtime-Afternoon Shows (Excl. Sun.) Child Price (Under 16) £1. WHEN THE NORTH WIND BLOWS (U). Progs 12.00 and LCP 2.00. Eves. Only (inc. Sun.) EMMANUELLE (X) 6.20. 8.55 (Sun 3.40. 6.20 8.55) JUST ONE MORE TIME (X). 5.25 8.00

ART GALLERIES

AGNEW GALLERY. 43 Old Bond St., W.1. 01-629 6176. BERNARD DUNSTAN until 6 May. Mon.-Fri. 9.30-5.30. Thurs until 7.

EARLY ENGLISH WATERCOLOURS. 18th-30th April. Weekdays 10-6. Sats. 10-12.30. Exhibition given by MARTYN GREGORY, 34, Bury Street, St. James's, S.W.1. Tel. 839 3731.

REDFERN GALLERY. OXTOBY'S ROCKERS. Paintings and Drawings by David Oxtoby 14 April-4 May. 20, Cork Street, London, W.1

COLNAGHI'S, 14, Old Bond Street, W.1. 01-491 7408 EXHIBITION of 19th and 20th CENTURY PRINTS. Until 29 April Mon.-Fri. 10-5.30. Sats. 10-1.

CLUBS

EVE, 189 Regent Street. 734 0557. A la carte or All-in Menu. Three Spectacular Floor Shows 10.45, 12.45, 1.45 and music of Johnny Hawkesworth & Friends.

GARGOYLE, 69 Dean Street, London, W.1. NEW STRIPTEASE FLOOR SHOW THE GREATEST BRITISH STRIP Show at Midnight also 1 a.m. Hostesses. Mon.-Fri. Closed Saturdays. 01-437 6455

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 45¾% (based on $US1.7187 per £)

Conversion factor 0.6833 (0.6844)

CANADIANS

[illegible]

S.E. List Premium 45¾% (based on $US1.9947 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Continued

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Continued

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING, MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

Finance, Land, etc.

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

			Price	Last £	Div Net	Cvr	Y'ld Gr's
July		Burma Mines 17½p.	9½	575	—	—	—
—		Charterhall 5p	26½	—	—	—	—
—		Colby Mines SC1	97	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c	450	4.1	Q140c	1.4	20.8
July		Northgate C$1	395	375	—	—	—
Jan.	June	R.T.Z.	238	11.1	5.96	q4.2	3.9
—		Sabina Inds. C$1	47	—	—	—	—
—		Tara Exptn. $1	£14⅛	—	—	—	—
Nov.	July	Tehidy Minerals 10p	43	4.10	1.19	ϕ	4.3
Oct.		Yukon Cons. C$1	155	15.9	Q6½c	ϕ	1.6

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ! Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 35

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	20	......	Sayers 12½p	32	......
Ash Spinning	40	......	Sheffield Brick	92	......
Bertam	17	......	Sheff. Refrshmt.	160	......
Bdg'wtr. Est. 50p	225	−6	Shiloh Spinn.	20	......
Clover Croft	21	......	Sindall (Wm.)	56	......
Craig & Rose £1	360	......			
Dyson (R.A.)	22	......	**IRISH**		
Ellis & McHdy.	59	......			
Evans Fr'k. 10p	34	......	Conv. 9% '80/82	£93	+½
Evered	11	......	Alliance Gas	42	−1
Fife Forge	65	......	Arnott	245	......
Finlay Pkg. 5p	19	+2½	Carroll (P.J.)	86	......
Graig Ship. £1	325	......	Ciondalkin	41xd	......
Hallam Sleigh 10p	9	+½	Concrete Prods.	75	......
Higsons Brew.	80	......	Heiton (Hldgs.)	27	......
I.O.M. Stm. £1	153	......	Ind. News	55	......
Holt (Jos.) 25p	213	......	Ins. Corp.	120	......
Kleen-e-Ze	42	......	Irish Distillers	52	......
Lovell's Ship £1	130	......	Irish Ropes	125	......
N'thn. Goldsmith	26	......	Jacob	47	......
Pearce (C. H.)	100	......	Sunbeam	18xd	+2
Peel Mills	13	......	T.M.G.	130xd	......
Robb Caledon 5p	86½	......	Unidare	60	......

OPTIONS

3-month Call rates

Industrials

A. Brew	6½	Hawker Sidd.	40	Tube Invest.	30
A.P. Cement	18	House of Fraser	8	Unilever	40
B.S.R.	10	I.C.I.	25	Utd. Drapery	7½
Babcock	8	"Imps"	7	Vickers	15
Barclays Bank	25	I.C.L.	14	Woolworths	6
Berry Wiggins	5	Inveresk	7		
Beecham	32	Ladbroke	11	**Property**	

FINANCIAL TIMES
Monday April 25 1977

Delayed decision on power industry's future imminent

BY MAX WILKINSON

AFTER a series of delays, an announcement on the future of Britain's power engineering industry is now imminent.

As reported on February 11, the Government has accepted the case that GEC should run a merged power engineering company which would absorb C. A. Parsons' turbine generator interests. Ministers have been persuaded that GEC's management and financial strength makes this course the only real alternatives.

Earlier suggestions that the National Enterprise Board would have a minority shareholding in the new company appear to have been modified. The most recent idea is that the Board should act as a broker, buying Parsons' turbine generator operation, and then selling it to GEC on suitable terms.

The civil servants who developed this idea believe that in this way the Board could serve an important but temporary policing role. However, it would be relieved of the long-term burden of running a complex international business—of which its staff have no experience.

The Board's temporary job will be to help cushion the shock to Parsons' workforce at Heaton in Newcastle, and to ensure that the technological excellence of much of Parsons' work is fully respected.

Redundancies

For its part, the Government will help slow the inevitable rundown of Parsons' workforce by telling the Central Electricity Generating Board to order its £600m. power station at Drax ahead of time. Arguments with the Generating Board about who should pay the extra cost of forward ordering (estimated at up to £100m.) are not thought to be insurmountable.

In the past two months the Government has repeatedly asked Parsons to delay the issue of 900 redundancy notices, pending a decision. Ironically, it now appears that the Government has accepted that a substantial rundown of the Parsons workforce will be needed in any event. Notices announcing 1,600 redundancies by the end of next year are expected to be posted in the works to-day.

The main problem for the Government has been to devise a way in which this rundown can be phased as humanely as possible.

A main difficulty in the negotiations so far is that neither GEC nor the Enterprise Board is anxious to take the responsibility for these redundancies from Parsons.

Sir Arnold Weinstock, head of GEC, has consistently pointed out that the substantial over-capacity in the industry cannot be solved by giving Parsons the new Drax order.

The Central Policy Review Staff (think tank) report to the Cabinet last year also said that extra orders must be made conditional on merger and rationalisation in the industry.

The main board of Reyrolle Parsons has privately expressed its willingness to dispose of the turbine generator business if suitable terms and safeguards can be guaranteed. The company would then be able to concentrate on its more profitable switchgear and transformer business.

On the other hand, the North East trade unions are still expressing vigorous opposition to a GEC takeover. It is thought, however, that if suitable guarantees are backed by the Government and policed by the Enterprise Board, the unions will have little option but to accept the deal.

Hoover plans rest on union peace

By Ray Perman, Scottish Correspondent

HOOVER has told unions that it may be prepared to go ahead with a multi-million pound expansion at Cambuslang, Scotland, provided it has an assurance that improvements in industrial relations will be maintained.

There has already been contact between the four unions represented in the plant, both at factory level and between national officials, but so far there has been no formal discussion of whether such an assurance would be possible.

The company has also talked to the Scottish Development Agency—from which it rents factory space—about the possibility of new buildings being provided by the Agency.

Shelved

If the development goes ahead, it will be a considerable boost for Cambuslang, which has an unemployment rate well above the national average, and is facing steel industry closures.

Hoover first proposed expansion in 1973, when it announced a £30m. scheme to provide 3,000 new jobs each at Cambuslang and Merthyr Tydfil. But the plans were shelved as the recession developed.

Earlier this year, the company said that it was going ahead with the Merthyr development and a 400,000 square feet factory is now being built by the Welsh Development Agency.

But despite constant pressure from unions and Mr. Gregor MacKenzie, the local MP and a Scottish industry minister, the company has said nothing about Cambuslang.

What Hoover wants is a promise that the unions will do the maximum to see that there is not a repeat of the disastrous 1974 10-week unofficial strike at Cambuslang which caused lay-offs at Merthyr and the loss of more than 500,000 working days.

Market share

In the two following years, things improved dramatically with days lost through disputes across the company down to 27,000 in 1975 and fewer than 2,000 in 1976.

Hoover's share of the U.K. electrical appliance market has dropped slightly in recent years. It now makes less than 40 per cent. of the automatic washing machines sold in Britain and about half the vacuum cleaners. But it claims to be the only major company to manufacture complete washing machines in the U.K.

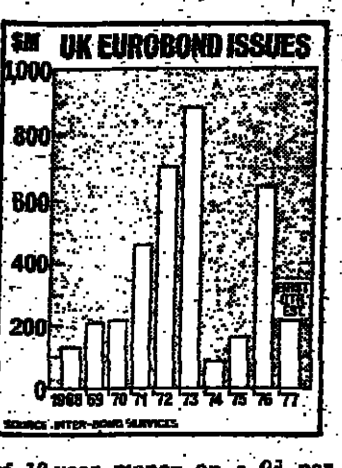
One reason for the decline in Hoover's market share is the competition from cheap Italian imports. This has prompted the Association of Manufacturers of Electrical and Domestic Appliances to lodge a complaint with the European Commission alleging Italian dumping.

THE LEX COLUMN

Lining up for the Eurobond market

U.K. companies are queueing up to enter the Eurobond market. Last week saw Bowater, Reed and United Biscuits announce straight dollar issues totalling $110m., and after a gap of only four months ICI returned to the DM sector.

Six months ago they would have met with a chilly reception, but over the past month or so the climate for new U.K. issues has improved remarkably. Inchcape's $35m. convertible was a resounding success and International Westminster Bank was so well received that it decided to increase its floating rate note issue from a scheduled $75m. to $120m.



Corporate treasurers have not been slow to note the change in sentiment. Since the turn of the year, U.K. industrial companies have raised over $300m., if last week's issues are included, which is roughly half the total amount of outstanding Eurodollar bonds raised publicly by U.K. industrial companies (as opposed to the nationalised industries) over the past ten years and considerably more than the total debt raised in the domestic U.K. corporate loan stock market over the past four years. The banks have also been active, raising a further $210m. in floating rate issues.

Burnt fingers

A glance at the list of U.K. dollar convertibles at the end of last year (Burmah Oil, Slater Walker, Burton and Rank) is a grim reminder that some Eurobond investors have had their fingers badly burnt by U.K. issues in the past, and until recently only prime names such as ICI have been able to tap the market. However, the recovery in the creditworthiness of the U.K. since the year-end, has coincided with a period of exceptional buoyancy in the new U.K. names are able to take their place in the queue.

Given the demise of the U.K. corporate loan stock market, the Eurobond market is about the only sizeable source of fixed rate finance now available to major U.K. companies—leaving aside New York. It has become even more attractive over the past year as the size of individual issues has increased and maturities have lengthened to 15 years. Last year, for example, Bowater raised $30m. of 10-year money on a 9¾ per cent. coupon while it is currently raising $50m. of 15-year finance on an expected coupon half a point lower and, incidentally, over a point below the present "blue-chip" overdraft rate in the U.K. Admittedly, there is a potential exchange risk, but this should be minimised so long as the funds are used to finance matching dollar assets.

While the dollar Eurobond market is an attractive pool of finance for companies wanting to restructure their overseas debt, the number of U.K. companies with access to the market is limited. Only 20 or so British industrial companies have tapped the market over the past decade, though many more would no doubt have liked to have done so. Generally, a company has to have a well-known name and sizeable overseas earnings before it can issue a Eurobond. Both Bowater and Reed, for instance, have an annual turnover of around £1.5bn. and are earning pre-tax profits of between £70m. and £80m. a year.

Ocean Hay's Wharf

Behind Ocean Transport's £22m. offer for Proprietors of Hay's Wharf, which was announced on Friday evening, is the wish to develop the businesses acquired in Ocean's other major take-over of recent years. That was William Cory, bought five years ago at the top of the bull market for £57m. in cash and equity.

The justification for this second bid has to be judged against the performance of the first. Cory, which was picked up against hot competition from Jessel and Court Line, does not appear to have been a spectacularly successful purchase. Unfortunately no up-to-date figures are published; on the evidence that is available, it could have made something over £5m. in 1976. However, the cost of purchase has been substantially reduced, possibly to under £40m., by a series of property disposals, and Ocean claims that the deal has been justified by the new businesses which it has brought into the group.

Some of these, like lighterage or fuel distribution, are distinctly unexciting. Others, such as High Street distribution, are more promising and after a couple of months of talks with Hay's, Ocean evidently believes that further expansion in these areas is justified.

Its first task is to win over its own shareholders, who have to authorise an increase in the share capital for the deal to go through, and who 15 months ago subscribed the equivalent of the purchase price in the form of a rights issue. Hay's is not an obvious home for new money. The three divisions in which Ocean is mainly interested—storage, marine services, oil and chemicals, with combined capital employed of £27m.—are not especially profitable and made less in 1975-76 than they did two years earlier. Elsewhere Hay's has £10m. tied up in a loss-making cold storage operation, and another £17m. or so in low return property assets.

A more difficult job will be to persuade Hay's shareholders to accept terms which have already been dismissed as totally inadequate by their Board. Hay's profits showed a marked recovery in the first quarter of the current year, and before the news of the bid its share price had already more than doubled from the 10-year low point which it touched last winter.

Although the bid is conditional on the Board's recommendation, Ocean is not going to be frightened off by this immediate rejection. The key rests with the Kuwait Investment Office, which took on a 34 per cent. holding in the equity when it bought St. Martins nearly three years ago. It also inherited a series of restrictions placed on this shareholding by the Takeover Panel, but in the current circumstances it would seem only reasonable for the Panel to agree to let these lapse.

Express and Mail merger option open

By Max Wilkinson

NEGOTIATIONS FOR the sale of Beaverbrook Newspapers' Evening Standard to the rival Associated Newspapers may be a prelude to a more complete merger.

The terms being negotiated between the two groups are believed to include a controversial five-year option clause which would allow a merger of Associated's Daily Mail with Beaverbrook's Daily Express.

Under the present proposed merger, the Evening Standard will be sold to Associated to be merged with its ailing Evening News, and the resulting newspaper will have a new title. The terms are believed to include a provision which would prevent Beaverbrook from using its substantial investment in printing capacity to produce another London evening paper.

Purchase price

The two groups are still arguing about who should be the editor of the new paper. Beaverbrook has been pressing the claim of Mr. Simon Jenkins, the recently-appointed editor of the Evening Standard, while Associated would like to appoint its own man, possibly Mr. Lou Kirby, editor of the Evening News. A recent proposal is a compromise in which the new editor would be appointed from outside.

Associated Newspapers expects to be in control of the new evening paper in exchange for the purchase of the Standard for a sum said to be about £5m.

The redundancies which would follow a merger of the London Evening News and Evening Standard are estimated by Associated Newspapers to be under 2,000 and the redundancy payments are estimated at between £7m. and £8m.

These redundancies take no account of any reduced manning which would be necessary if the new paper were to change from traditional to computer typesetting. The management of Associated Newspapers has decided that this issue must be postponed for the time being.

Meeting unions

The Evening News, which has been losing about £5m. a year, would probably have faced closure or substantial cuts in manpower even without the deal. The Evening Standard, after making a loss of about £1.5m. last year, is now just back in profit.

The companies are expected to make an announcement on the future of the two evening papers at a meeting with union representatives on Thursday. Meanwhile, it has been stated that no agreement has been signed.

It is certain, however, that talks are far advanced. Associated Newspapers expects the deal to go ahead.

Beaverbrook's main motive appears to be to gain the working capital needed to keep the Daily Express (and the more profitable Sunday Express) going. The daily paper was relaunched as a tabloid in January.

Prudential holds £400m. in other companies

BY KEITH LEWIS, CITY STAFF

PRUDENTIAL ASSURANCE, Britain's largest financial institution, holds more than 230 stakes of 5 per cent. and above in either the Ordinary or Preference capital of a wide range of U.K. quoted companies. The total value of these holdings is worth in excess of £400m.

The disclosures are in line with section 26 of the Companies Act 1976, which came into force a week ago to-day. This requires that companies should be informed within five days of any interest that exceeds 5 per cent. of the capital — compared with 14 days and holdings of 10 per cent. or more under the old rules.

The six largest holdings in cash terms which fall into this category are listed in the accompanying table. Otherwise, there are few individual surprises.

The legacies of the part the Prudential played in mounting rescue operations for those groups involved in the banking crisis of 1974 are still present.

For example, the Prudential retains a 17.1 per cent. stake in Keyser Ullmann, the merchant bank, worth some £2.5m.

The 26.4 per cent. holding in United Dominions Trust is valued at around £7.5m. and 19.5 per cent. of Dawnay Day is worth just over £1m. These holdings, of course, were known under the old rules.

On a sector basis, the list has a heavy weighting in investment trusts. There are over 60 separate holdings in terms of different classes of capital.

In property shares, the largest commitment is in Land Securities. A 7.2 per cent. stake in MEPC is valued at £6.3m., while other majors are Berkeley Hambro (around £1.74m.), British Land (£1m.) and Property Holding and Investment Trust (£1.7m.).

TOP SIX HOLDINGS of less than 10%	%	Value £m.
General Electric	6.22	59.8
Marks & Spencer	6.30	48.7
Land Securities	6.27	16.8
Coats Patons	5.60	10.8
United Biscuits	6.26	9.1
Cavenham	5.61	8.2

The engineering sector is well represented in the list. An 8.4 per cent. stake in Davy International is worth £5.7m., a similar stake in Stone-Platt amounts to around £4.2m. and £3.4m. is taken up by a 6.2 per cent. holding in Pegler Hattersley.

In construction and civil engineering, the Pru has £3.5m. worth of Costain and over £4m. worth of Tarmac.

The High Street exposure is dominated by a massive £45.7m. holding in Marks and Spencer. Otherwise there are 5.7 per cent. and 5.3 per cent. holdings respectively in Bejam (£1.7m.) and UDS (£5.5m.).

Major individual holdings include Hanson Trust (5.4 per cent.), BSR (6 per cent.), Croda (5.6 per cent.), Booker McConnell (5.5 per cent.), W. H. Smith (7.9 per cent.) and Steetley (5.2 per cent.). These holdings are all in the £2.6m. to £5.5m. range.

Tories call for tougher line against IRA killers

BY RICHARD EVANS, LOBBY EDITOR

AN AGGRESSIVE campaign to persuade the Government to take a tougher line against IRA terrorist leaders was launched at the week-end by Mr. Airey Neave, Opposition spokesman on Ulster, with the full support of Mrs. Thatcher.

The speech by Mr. Neave, in which he called on British security forces to arrest the top 100 terrorists, represents a marked hardening in the attitude of the Tory leadership, which has previously given broad support to the passive political role being played by Mr. Roy Mason, the Northern Ireland Secretary.

Conservative MPs are not prepared to talk in terms of ending the bi-partisan approach at Westminster over Northern Ireland but the speech undoubtedly puts considerable pressure on Mr. Mason to change his security policy in the light of the continuing campaign of terror by the IRA against various targets including the security forces and businessmen.

Mr. Neave will to-day meet Mr. James Molyneaux, leader of the United Ulster Unionist MPs, at Westminster and Mr. Harold McCusker, the party's whip, to examine measures designed to deal more effectively with terrorism.

Mobutu forces poised for attack

BY STEWART DALBY

KOLWEZI, April 25.

THE SCARS of Zaire's major open-cast copper mine stand out as you fly over this little European outpost, some 35 miles from where the invading forces trying to topple President Mobutu Sese Soko are dug in, waiting for the Government's counter-offensive.

The town is quiet, enlivened only by a brass band playing the national anthem and some young girls in yellow and green dresses performing an erotic dance as President Mobutu steps from his American C-130 transport aircraft with a huge entourage of officials, journalists and some Ugandan military observers.

The war seems far away and latest reports say that there has been no fighting in the so-called operational area for two or three days although a joint force of Moroccans, Zairean troops and pygmies armed with bows and arrows and poisoned darts are poised 12 km from Mutshatsha.

The town was captured by the invading forces as they drove eastwards along the strategic Benguela railway.

About 400 members of the Moroccan force, together with the Zairean troops and the pygmies, have managed in the past ten days to drive the insurgents back west from their forward positions.

The Moroccans, officially described as providing a support role, have—apart from establishing defensive positions around Kolwezi—also attempted to push north-west towards Kapanga.

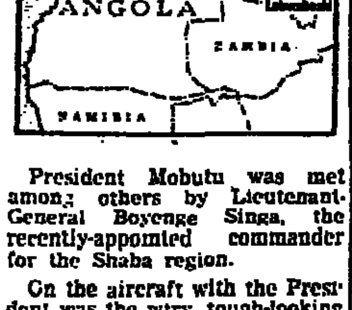
The purpose of the President's visit—the first in three weeks and only his second since the insurgents invaded Shaba (formerly called Katanga) on March 8—is to supervise what is still being described as the decisive offensive against the rebels.

The our is also, in the view of Western diplomats, to demonstrate to the world that the region, which produces virtually all of Zaire's copper—its vital export—is not subject to a popular uprising, as has been claimed at various times by Angolan, Cuban and even Russian officials.

M. Claude Reynard, the chief representative of Gecamines, the State-owned mining company in Kolwezi, said that copper production had barely been affected by the hostilities.

One or two lorries had gone astray and there was a little bit of disruption to trains. But production was going ahead as normal. He declined to comment on how the copper was being transported out of Zaire.

An Italian Maachi jet fighter escorted the giant C-130 in, while on the ground another five Maachis were lined up on the edge of the tarmac. One had what looked like a napalm cylinder attached to its undercarriage, although military sources would not confirm reports that napalm is being used in the operation against the insurgents.



President Mobutu was met among others by Lieutenant-General Boyenge Singa, the recently-appointed commander for the Shaba region.

On the aircraft with the President was the wiry, tough-looking Colonel Abdel Kharjer Loubaris, head of the 1,500 Moroccan Expeditionary Force sent by King Hassan two weeks ago to help Zaire.

Weather

U.K. TO-DAY

CLOUDY, rain at times.

London, E. Anglia, S.E., Cent. S. England, E. Midlands, Channel Is.
Cloudy, rain at times. Max. 13C (55F).

S.W., Cent. N. England, W. Midlands, S. Wales
Cloudy, showers or longer outbreaks of rain. Max. 12C (54F).

N.W., N.E. England, Lakes, Borders, S.W. Scotland, Argyll, N. Wales, I. of Man, N. Ireland
Cloudy, rain at times, clearer later. Max. 10C (50F).

Edinburgh, Dundee, Aberdeen areas, Highlands, Moray Firth area, N.E., N.W. Scotland
Bright at first, rain spreading from S.W. Max. 9C (48F).

Orkney, Shetland
Sunny intervals, perhaps some rain later. Max. 7C (45F).

Outlook: Showers, but also bright intervals.

BUSINESS CENTRES

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Alexandria	C	22	72	Luxembrg	F	9	48
Amstdm	F	7	43	Madrid	S	23	73
Athens	S	20	68	Manchstr	C	8	46
Bahrain	D	26	79	Melbourne	R	13	55
Barcelona	S	19	66	Milan	S	21	70
Beirut	F	18	64	Montreal	C	9	48
Belfast	S	11	52	Moscow	R	11	52
Belgrade	S	22	72	Munich	R	12	54
Berlin	[illegible]	9	48	Newcastle	F	9	48
Brmngham	F	11	52	New York	M	9	47
Bristol	F	10	50	Oslo	C	5	41
Brussels	R	9	48	Paris	F	14	57
Budapest	C	10	50	Perth	F	24	75
B. Aires	C	21	71	Prague	C	6	43
Cairo	S	20	68	Reykjavik	F	6	43
Cardiff	F	10	50	Rio de J'o	C	29	83
Cologne	C	10	50	Rome	F	17	63
Copenhagen	C	6	43	Singapore	S	33	91
Dublin	F	12	54	Stockhlm	C	5	41
Edinbrgh	C	7	45	Strasbrg	R	7	45
Frankfurt	F	10	50	Sydney	F	21	70
Geneva	R	11	52	Tehran	C	22	72
Glasgow	F	10	50	Tel Aviv	C	18	64
Helsinki	R	6	43	Tokyo	C	10	50
H. Kong	S	29	84	Toronto	C	-1	30
Jo'burg	S	24	75	Vienna	F	13	55
Lisbon	S	22	72	Warsaw	F	13	55
London	F	13	55	Zurich	R	11	52

HOLIDAY RESORTS

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Ajaccio	S	19	66	Las Palmas	S	21	70
Algiers	S	24	75	Locarno	S	20	68
Biarritz	S	16	61	Luxor	S	24	75
Blackpool	R	12	54	Majorca	S	21	70
Bordeaux	C	15	59	Malaga	S	22	72
Boulogne	F	10	50	Malta	S	21	70
Casablanca	S	20	68	Nairobi	C	20	68
Cape Town	S	20	68	Naples	S	17	63
Corfu	F	18	64	Nice	S	18	64
Faro	S	21	70	Oporto	S	17	63
Funchal	S	17	63	Rhodes	S	21	70
Gibraltar	S	25	77	Salzburg	F	14	57
Guernsey	F	11	52	Tangier	F	18	64
Innsbruck	F	14	57	Tenerife	S	19	66
Inverness	F	9	48	Tunis	S	27	81
I. of Man	F	10	50	Valencia	S	24	75
Istanbul	S	16	61	Venice	S	18	64
Jersey	F	11	52				

C—Cloudy. F—Fair. S—Sunny. H—Hail. R—Rain. M—Misty. D—Dusty.

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Move to cap rogue well

The crew on the Bravo platform were doing a "work-over" on well 14 on Friday. This is a routine maintenance job involving the removal of the "Christmas tree" valves on the well-head and the filling of the pipe with mud to keep down the pressure while a blow-out preventer valve is fitted. The pressure unexpectedly increased with oil and gas foaming to the surface.

The 112 men aboard the platform took to the lifeboats and safety capsules, were picked up by a supply boat and transferred to two drilling platforms which serve as living quarters. A gale was blowing at the time and waves were running 12-14 feet high. The Norwegian Government has emphasized that no lives were lost and no injuries sustained despite the danger of explosion and fire from the escaping gas.

Senior oilmen in Norway are concerned about the political consequences of the blow-out. They fear that it may delay allocations of new licences under the fourth concession round which the Government announced last month and could even halt the plan to start exploratory drilling off North Norway next year.

Mr. Odvar Nordli, the Labour Prime Minister, stated last night that it was too early to evaluate the consequences of the blow-out. Mr. Reiulf Steen, his party chairman, said it would strengthen the voices of caution and must affect the White Paper, which the Government has promised to issue before opening the area north of the 62nd Parallel for exploration.

Among the Opposition parties bidding to unseat the Government is the Centre Party, which said the blow-out demonstrated the inadequacy of Government policy.

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Healey and pay norm

level. Mr. Healey was believed to be annoyed yesterday at Dr. David Owen, Foreign Secretary, for letting slip over the week-end the 9 per cent. earnings figure.

● FIRM AGREEMENT: Mr. Healey confirmed the Prime Minister's attitude at the Welsh TUC last Friday when he declared that it was "no good relying just on vague expressions of goodwill to deal with the problem." He added: "We tried that 10 years ago with the famous solemn and binding declaration. It melted away like butter in the sun."

● KITTY BARGAINING: The Chancellor said that the so-called kitty principle, reserving part of the overall earnings rise for local bargaining and distribution, was in operation already in that the Government was curtailing the money supply. "In that sense, the kitty principle will operate on the national level, whether or not people choose to adopt it in their separate bargaining units. But that is a matter for the unions to decide themselves."

● 12 MONTHS RULE: "We must stick to the fundamental rule that there must be a 12-month interval between settlements. Otherwise, this would mean the mother and father of all wage explosions."

● FLEXIBILITY: Mr. Healey stressed that the new pay policy must provide "sufficient flexibility to start dealing with anomalies, differentials, and consolidation, not to speak of productivity bargaining."

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